

PUBLIC UTILITY DISTRICT NO. 3 OF MASON COUNTY

NOTICE OF INQUIRY by the COMMISSION of PUBLIC UTILITY DISTRICT NO.3 OF MASON COUNTY FOR PUBLIC COMMENT ON STANDARDS FOR TIME-BASED METERING AND COMMUNICATION PROPOSED FOR CONSIDERATION UNDER THE PUBLIC UTILITY REGULATORY POLICIES

TO INTERESTED PERSONS

Pursuant to section 1252 of the Energy Policy Act of 2005 (EPAAct), the Board of Commissioners of Public Utility District No. 3 of Mason County (Commission) hereby gives notice that it will consider establishing a "time-based metering and communications" standard to govern 1) the offering of a time-based rate schedule to each of this electric utility's customer classes and individuals; and 2) the provision of time-based meters to customers. The Commission intends to hold a public proceeding to consider whether it is appropriate to adopt, in whole or in part, or not adopt such time-based metering and communications standard. Per this notice, the Commission initiates the proceeding and invites written comments and proposals. Background information can be picked up at the offices of Mason County PUD No. 3, located at 307 West Cota Street, Shelton, WA 98584 or will be mailed by calling Jay Himlie at (360) 426-8255. The Commission invites initial written public comments and proposals to be submitted between April 5, 2007 and April 24, 2007. After the close of comments, the Commission will publish notice of a workshop or hearing to consider comments or proposals received.

COMMENTS AND PROPOSALS

The Commission initiates this consideration process by inviting written comments or proposals on this topic to be submitted between April 5, 2007 and April 24, 2007. Comments and proposals in written or electronic form may be provided to Mason County PUD No. 3 by submitting comments in writing to Jay Himlie, power supply manager, P.O. Box 2148, Shelton, WA 98584, or email jayh@masonpud3.org. Proposals must address the three PURPA purposes and cost-effective long range benefits. All comments and proposals will be included in the Mason County PUD No. 3 Time-based Metering and Communications PURPA Proceeding. Based on comments and interventions received, the Commission may establish an official service list for the proceeding. At a future date, the Commission will schedule a hearing to consider the comments and proposals received.

BACKGROUND

Energy Policy Act of 2005

On August 8, 2005, the President signed the Energy Policy Act of 2005 (EPAAct). Section 1252 of EPAAct amends Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (PURPA) to require utilities to consider a new standard for time-based metering and communications. This section requires each electric utility to consider whether it is appropriate to offer each of its customer classes, and provide individual customers, upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's costs of generating and purchasing electricity at the wholesale level (Section 111(d)(14)). PURPA, as amended by EPAAct, describes four types of time-based rate schedules that may be offered, including i) time-of-use pricing; ii) critical peak pricing; iii) real-time pricing; iv) credits for consumers with large loads who enter into pre-established peak load reduction agreements (Section 111(d)(14)(B)). The time-based rate and communications standard also includes a provision whereby electric utilities provide, upon a consumer's request, time-based meters capable of enabling the utility and customer to offer and receive such rates (Section 111(d)(14)(C)). By law, electric utilities must begin considering this standard by August 8, 2006 and determine by August 8, 2007 whether it is appropriate to adopt the standard in whole or in part and offer such time-based metering and communications service, or not adopt the standard.

PUBLIC UTILITY REGULATORY POLICIES ACT

PURPA Purposes

PURPA is intended to encourage 1) the conservation of energy supplied by electric utilities; 2) the optimization of the efficiency of use of facilities and resources by electric utilities; and 3) equitable rates to electric consumers (Section 101). The Commission will consider whether a proposed standard for time-based metering and communications meets these purposes of PURPA and consider other applicable law.

Cost-Effectiveness

In undertaking the consideration and making the determination required under PURPA with respect to the standard for time-based metering and communications established by section 111(d)(14), this Commission must also determine that a potential time-based metering and communications standard is cost-effective (Section 115(b)). The Commission will determine that a rate is cost-effective if the long-run benefits of such rate to Mason County PUD No. 3 and its electric consumers in the consumer class concerned are likely to exceed the metering and communications costs and other costs associated with the use of such rates.

TIMEFRAME

Under PURPA, electric utilities with total annual retail sales exceeding 500 million kilowatt-hours must consider the new standard (Section 102(a)). However, electric utilities can choose whether it is appropriate to adopt the new standard. In addition, nothing under PURPA prohibits this Commission from modifying or adopting, or not adopting, a different standard or rule, pursuant to State law (Section 117(b)). While electric utilities have until August 8, 2007 to make a determination for all customer classes whether to adopt in whole, in part, or not adopt a time-based rate and communications standard, PURPA also includes a provision for implementation of the standard for individual customers upon request on or after February 8, 2007 (Section 111(d)(14)(A)). Should a customer request time based rates after February 8, 2007 and before the Commission issues its Final Order in this proceeding, the Commission will grant the customer's request if the customer can demonstrate to the Commission in this proceeding that the requested time based rate meets the Cost-Effectiveness test, PURPA purposes, and other applicable law.