

Board of Commissioners
Wahkiakum Public Utility District No. 1
25 River Street
Cathlamet, Washington 98612

Re: Discussion of Proposed Water System Consolidation Study Report

Dear Commissioners:

We appreciate the time you have taken to participate in several meetings devoted to discussing the Draft Water System Consolidation Study Report, dated June 20, 2024. At page 31 of the Report, Gray & Osborne set forth several recommended next steps, which included: 2. The value of the Cathlamet utilities should be established through a valuation study to provide a basis for an acquisition agreement. 4. Legal documents for the utility transfer and any associated utility franchise should be developed.

In our view, the various public discussions have shown that there are many basic areas of agreement that must be identified before we can reach a “meeting of the minds” for going forward with a detailed legal agreement.

Therefore, we are sharing what we consider to be points that must be included in any agreement to assure that the Town’s interests are protected, namely:

- The Town’s Water Rights for the Elochoman River and Alger Creek shall remain the property of and under the control of the Town of Cathlamet. The P.U.D. shall pay a fee to the Town of Cathlamet for any water provided to the PUD’s Puget Island Water system based upon the Town’s water rights, at the rate of \$2.5836 per 100 cubic feet, paid to the Town of Cathlamet on a monthly-basis subject to annual COLA.
- The P.U.D. shall pay to the Town the value of the real property, and value of the Town’s Water Treatment Plant and the Town’s Wastewater Treatment Plant based upon the current market value of the Town’s utility assets as determined by a qualified appraisal firm retained by the Town of Cathlamet.
- A provision in the consolidation agreement that the Town is transferring all the Water System Treatment Plant and Wastewater Treatment Plant and Collection System infrastructure **“AS IS, WHERE IS AND WITH ALL FAULTS”** without representation, warranty, or covenant. The P.U.D. shall be responsible for maintaining all sanitary sewer, stormwater sewer, and water system assets, in good working condition from and after the date of the transfer of such assets from the Town to the P.U.D.
- A provision in the consolidation agreement that the P.U.D. shall be responsible for compliance with all Washington State Department of Ecology requirements associated with the transfer of the Town’s Wastewater Treatment Plant to the P.U.D. and the P.U.D. shall also be responsible for all Washington State Department of Health requirements associated with the transfer of the Town Water System to the P.U.D.

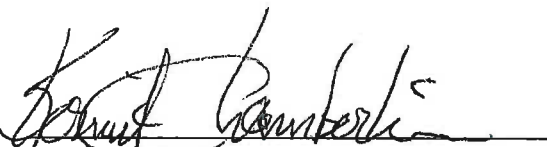
- A provision in the consolidation agreement providing that all outstanding loans now secured by the Town shall be assumed by the P.U.D. upon the transfer of the Wastewater Treatment System and the Water System to the P.U.D. All loan and bond documents shall be transferred in accord with the terms and conditions of such documents.
- A provision which provides that: except for sewer and water reserve funds, all other fund balances remaining in the Town's accounts as of the date of closing shall remain the property of the Town of Cathlamet. Cash reserves transferred to the P.U.D. shall be used by the P.U.D. for the improvements identified in the Town's current Water System Capital Improvement Plan and the Town's current Wastewater Capital Improvements Plan.
- A provision in the consolidation agreement that provides for the assignment of all existing Crista Vista Water Society agreements, including recommended system improvements, to the P.U.D., with the P.U.D. assuming all costs for completing the improvements.
- A provision in the consolidation agreement that the Town's stormwater sewer system shall be transferred to the P.U.D. and that the P.U.D. shall assume all the Town's responsibilities and liability for maintenance and operation of the Town's existing stormwater system, including the responsibility to comply with all applicable state and federal regulations governing stormwater control and runoff.
- A provision in the consolidation agreement that provides for the P.U.D.'s assumption of all the Town's responsibilities and financial obligations under all the Town's existing agreements with other entities related to the Town's water and sewer utilities. The Town has entered in to contracts with the County of Wahkiakum and various private land developers, which agreements define connection fees and other financial obligations, regarding the Town's provision of municipal sewer and water services. The consolidation agreement will identify all such agreements. The consolidation agreement shall also require the P.U.D. to continue the development of a Utility Local Improvement District to facilitate the addition of sewer connections with the goal of reducing the sewer rates charged to municipal sewer ratepayers.
- A provision in the consolidation agreement shall provide that the P.U.D. pay 100% of the cost of constructing a well system and related appurtenances on Puget Island as described in the Consolidation Study, at page 8-2. The consolidation agreement shall also provide that the rates charged, with regard to the operation and maintenance of the Puget Island well system shall be paid only by Puget Island Water System Customers and that the rates of current Cathlamet Water System customers shall not be increased to defray the costs of the construction, maintenance, and operation of the Puget Island well system.

- A provision in the consolidation agreement shall include a section creating an oversight-committee with equal representation of the Town and the P.U.D. composed of one staff person and one elected official from each party. The oversight committee shall have the authority to study and make recommendations as to capital improvements to the existing Town water system and as to the rates to be paid by current Town sewer and water customers. No rate increases may be made without the affirmative majority vote of the oversight committee.
- A provision in the consolidation agreement shall provide for a detailed Franchise Ordinance setting forth the terms and conditions of the Town's Street rights-of-way, including a franchise fee to be paid by the P.U.D. to the Town, the amount of the franchise fee to be negotiated prior to final execution of the consolidation agreement.
- A provision in the consolidation agreement providing that the P.U.D. shall pay to the Town of Cathlamet, as additional consideration, the sum of \$42,000.00 per month commencing on the effective date of the consolidation agreement and paid on the first day of each and every calendar month thereafter, adjusted annually according to the cost-of-living index agreed to by the parties. **Explanation:** The Consolidation Study points out that the P.U.D. operations at the rates to be set by the P.U.D. and the revenues that the P.U.D. would receive from current town water and sewer revenues in a consolidation would result in the inability of the Town to support the Town's pool, parks, and library at its current service levels. The P.U.D. has publicly stated that the intent of the P.U.D. is to "make the Town whole" such that persons who use the pool, parks, swimming pool, and library will not be adversely affected. The annual amount of that deficit is approximately \$500,000.00.

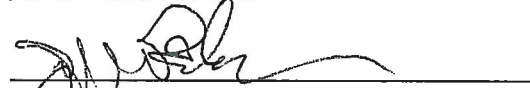
We appreciate your consideration of the Town's position on the foregoing issues.
We hope to hear from you after your review.

Town of Cathlamet Town Council

Robert Stowe


Kermit Chamberlain

Jeanne Hendrickson


Joe Baker

Laurel Waller