

February 18, 2025

The regular meeting of the Board of Commissioners of PUD No. One of Wahkiakum County, Washington, was held on the above date with Board President Robert Jungers presiding. Also in attendance were Board Vice President Dennis Reid, Board Secretary Eugene Healy, Manager Dan Kay, Auditor Erin Wilson, Attorney Tim Hanigan, Secretary Katie Thomas, Mayor David Olson, Town Councilpersons Laurel Waller and Jeanne Hendrickson, and Wahkiakum Eagle Newspaper reporter Jennifer Figueroa.

The meeting convened at 8:30 a.m.

### **REVIEW AND APPROVAL OF THE AGENDA**

Commissioner Jungers suggested moving the Workshop to after Staff and Commissioner Reports and move the Action Item up to after the Open Discussion period. Commissioner Reid moved to approve the agenda as amended and Commissioner Healy seconded. The motion passed 3-0.

### **ROLL CALL:**

Town Councilperson Robert Stowe, Megan Blackburn-Friend, and the general public attended by Zoom teleconference.

### **APPROVAL OF THE MINUTES**

Commissioner Healy moved to approve the regular meeting minutes of February 4, 2025, as submitted. Commissioner Reid seconded. The motion passed 3-0.

### **APPROVAL OF FINANCES**

With regard to the following electric and water vouchers submitted by Auditor Erin Wilson, Commissioner Reid made a motion to approve the electric and water vouchers as submitted and Commissioner Healy seconded. Commissioner Reid commented they received the vouchers for review prior to the meeting and were ready to vote. The motion passed 3-0.

**Total Vouchers Approved:**                      **\$340,241.32**

### **PUBLIC COMMENT:**

There was no public comment at that time.

### **OPEN DISCUSSION:**

Commissioner Reid commented that the funding opportunity for the Salmon Creek Looping Project was missed. Auditor Wilson clarified the PUD has received a grant for the

engineering study so they will have a shovel-ready project to apply for a funding grant when the time comes. Discussion ensued.

Commissioner Jungers reported a surprising development on Lake Superior in Michigan to reactivate the Palisades Nuclear Plant, which was decommissioned several years ago. He mentioned several of the challenges they are facing, including deterioration of the steam tubes. Discussion ensued.

#### **ACTION ITEM:**

##### **Motion to Accept Job Position Title Change from Auditor to Director of Finance**

Commissioner Reid moved to accept the job position title change from Auditor to Director of Finance and Commissioner Healy seconded. Commissioner Reid commented the new title better describes the duties of the position, and Commissioner Jungers confirmed the change of the title will better facilitate finding applicants based on the job title. Discussion ensued. The motion passed 3-0.

#### **DISCUSSION TOPIC:**

##### **Long Range Planning**

Manager Kay had no report at that time.

##### **Employment Policy—Employment of Relative Section Update**

Manager Kay commented he researched the employment of relatives since the board last discussed it in July 2024. The PUD's current policy isn't in line with other utilities or WPUDA, as our policy includes aunts, uncles, nephews, nieces, and cousins. Discussion ensued. The board agreed by consensus to remove the secondary layer of relatives and only keep the immediate layer of parents/child/siblings. A resolution will follow at the next meeting.

#### **REPORTS:**

##### **Manager Kay:**

Manager Kay reported the Director of Finance job posting has been listed on several online sites and will be open until filled. The first group of applications will be read this Friday. He has received six applications so far. Discussion ensued.

Manager Kay reported the lineman position is still open after five months of advertising; there have been no credible candidates. He conferred with the electric crew and has decided to start the apprentice lineman program again. Discussion ensued.

Manager Kay reported the Puget Island well started the 24-hour pump test yesterday and is currently pumping 500 gallons per minute. After the 24-hour test is completed, the water quality test will be submitted to the Department of Health. The test results will determine what kind of water treatment, if any, is required. Discussion ensued.

Manager Kay reported the electric and water crews are busy with new customer work.

Manager Kay reported there were no outages during the recent snow and bad weather, although the snow impeded infrastructure work. Crews are still trying to finish the overhead-to-underground project on Beaver Creek. Discussion ensued.

Manager Kay reported frost prevention devices were used during the cold weather, and staff kept an eye on meters to look for leaks and frozen pipes. Discussion ensued.

**Auditor Wilson:**

Auditor Wilson reported the billing statement will change in the next few months as the software vendor has a new invoicing platform. Discussion ensued.

**Commissioner Reid:**

Commissioner Reid reported he attended the WPUDA meeting via Zoom last week. Training on the Open Public Meeting Act was held on Wednesday, along with Public Records training. Also discussed were active House and Senate Bills. Discussion ensued.

**Commissioner Healy:**

Commissioner Healy reported he attended the PPC meetings in Portland on February 5 and 6. He will attend the Town Council meeting tonight, and will attend the PUD/Town meeting on February 26.

**Commissioner Jungers:**

Commissioner Jungers had no report at that time.

**Workshop:**

The PUD Workshop opened at 9:27 a.m.

Commissioner Healy read the opening statement.

Discussion ensued regarding the pros and cons for town residents, town non-residents, and county residents; please see attached.

Commissioner Reid and Commissioner Jungers agree that the 13-point demand list from the Town is absurd and is a deliberate torpedo to wreck the entire consolidation idea. Discussion ensued.

Further discussion ensued regarding the pros and cons of the different customer bases. Commissioner Reid also confirmed the possibility of only consolidating the water system and leaving the sewer system alone.

Commissioner Reid urged everyone for a decision at the next meeting. Discussion ensued.

The PUD Workshop closed at 10:38 a.m.

**PUBLIC COMMENT:**

Mayor Olson commented he was deeply chagrined that Commissioner Jungers would attack the proposed waterfront park as requested by county residents, not just Town residents. He is also chagrined that Commissioner Jungers would dismiss with contempt the negotiating points signed off by 80% of the Town Council, although he did agree the Town and PUD are at a point to make a decision.

**ADJORNMENT:**

The regular meeting was adjourned at 10:43 a.m.

The next regular meeting is March 4, 2025, at 8:30 a.m. in the PUD Meeting Room.

Approval of the minutes of the regular meeting of February 18, 2025.

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**Robert Jungers**, President

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**Dennis Reid**, Vice President

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**Eugene Healy**, Secretary

# Opening Statement-PUD Workshop

Drafted by Commissioner Healy

2/18/2025

What's the deal with this water system consolidation talk?

In the past, there have been at least preliminary conversations between the PUD and the Town of Cathlamet about merging the Town and Puget Island water systems under PUD ownership and management. Initially, the focus was on the PUD acquiring the TOC water system. The TOC suggested that including the sewer system as a practical alternative was a good idea. Now, it's anticipated that any final transfer would encompass both water and sewer systems. Reverting to a water-only consolidation remains an option for some of us.

Policy makers from both the Town and the PUD have authorized a thorough investigation into the issue. The PUD applied to the State of Washington, Department of Health, for a grant to study the matter on behalf of both entities. The grant was approved, and Gray and Osborn, an engineering and consulting firm with a long history of providing services to both the PUD and the Town, was engaged to complete the task. The feasibility study, draft form, was completed in May 2024, and the results were shared with Town and PUD officials. After reviewing the study, comments from both the TOC and the PUD, the PUD Commissioners approved the final study in February 2025. Approval from the TOC Council is pending.

It's crucial to emphasize that while evaluating this proposal, the interests of the customers of both entities are paramount. There's no other reason to consider this proposal. Water is a fundamental necessity for life on Earth. The convenience of having access to high-quality and abundant water delivered to our homes is now an expectation in our society.

Competition fosters value creation, and value is both economic and performance-oriented. The citizens of the TOC and Wahkiakum County should demand value. Value lies in affordability and reliability. Let's examine each organization's history in these areas. Will these values be achieved after our decision?

There's a distinction between the TOC voting citizens and the TOC utility customers, as well as between the PUD voting citizens and the PUD utility customers. Although these lists are quite similar, there are some key differences. To be a voting citizen for the TOC Council and Mayor, one must reside within the Town limits.

The TOC voting citizens, through their elected representatives, made the decision to acquire and sell water and sewer services. This likely began with most consumers of these services residing within the Town limits. Over time, these services have expanded to include nearby out-of-town residents and businesses.

Likewise, there's a difference between the PUD voting citizens and the utility customers. To be a voting citizen for PUD Commissioners, one must reside within Wahkiakum County. Though you probably do, you don't have to subscribe to our services.

The PUD voting citizens, through their elected representatives, made the decision to acquire the Puget Island and other water systems.

The PUD Commissioners have held three meetings so far with the TOC Council members to discuss the Consolidation Study. Most of the discussion, to this point has centered around TOC negatives, primarily financial issues. Today I propose that we expand our discussions to include both positive and negative attributes for the three largest stakeholder groups.

I purposely did not address the TOC's 13 point list of demands memo in this work. These seem to me to be negotiating items and are subjects for another day.

Disclaimer: Some of the thoughts and assumptions in this work lack in-depth analysis. Any of the trains of thought and points of interest we find valuable to our work can be subjected to a deeper dive. This could include my writings and any points added in our workshop process.

*"It's the truth I'm after, and the truth never harmed anyone. What harms us is to persist in self-deceit and ignorance."*

Marcus Aurelius  
Roman emperor and Stoic philosopher  
(121-180 CE)

***I'd have written a shorter memo, but I didn't have time.***

- **Consumer Cons**

- TOC Residents
  - Loss of Utility fees
  - Need to establish alternate income streams
- TOC Non-Residents
- PI Residents
  - Debt acquisition
  - Condition of TOC distribution system acquisition
  - Condition of TOC Production system

- **Consumer Pros**

- TOC Residents
  - Management and Staff Structure
  - Funding Opportunities
  - Assistance program inclusion
  - Water System Plan consolidation
  - Utility management model, including financial
- TOC Non-Residents
  - Ability to elect policy makers
  - All items under TOC Residents

- **PUD Cons**

- TOC utility debt assumption
- Needed TOC capital projects
- Additional staffing and logistical needs
- Preliminary TOC acquisition demands

- **PUD Pros**

- Efficiencies of larger workforce and income
- Opportunities to expand PUD utility model to the TOC customers



- **TOC Cons**

- Loss of income from utility rates
- Must provide funding to make up for loss of income from utility rates
- Smaller workforce, less flexibility
- Loss of utilities in their portfolio

- **TOC Pros**

- Simplified governmental operations
- Debt obligations reduced
- Fleet and tool inventories reduced
- Less expense for wages and benefits

## **Consumer Cons**

### **TOC Residents**

- You would no longer have the utility income to subsidize other Town responsibilities. Varying by presentation, hundreds of thousands of dollars annually of utility funds are currently being indirectly applied to these responsibilities. Though this has never been satisfactorily explained, these funds appear to be being transferred through the distribution practices for qualifying bills and pattern coding of labor costs.
- A stormwater fee does not currently exist as a stand alone fee. This may have to be adopted to pay for this service. Fees for single family dwellings are usually charged a flat fee, other properties are charged a sliding fee depending on the % of impervious land on the property.
- Town of Cathlamet water customers paying for PIWS well
  - If consolidated, and if Town system is combined with PIWS, they will share the cost of operations and any potential costs for developing the water source
  - If consolidated and the Town system is a separate water system like PIWS, WWWs & SWS, they will not share in the cost of the PIWS well/water source
- Residents are concerned about the swimming pool and library
  - The PUD acquiring water and/or sewer utilities will not affect the pool or library – the Town's programs should be self-supporting

### **TOC Non-Residents**

Unknown negative consequences for non-resident TOC utility customers.

### **PI Residents**

- Because your part of the PUD family, you would acquire significant debt. Though payment on some of this debt is currently part your water rates, you would take a step closer to full responsibility for it. Some of this debt may be for issues that do not directly benefit you.
- You would acquire the additional responsibility of a distribution system you currently do not pay for. It needs significant work. This is no different than doing work on Ostervold Rd. if you live on Sunny Sands.

### **County Residents-Non-Consumers**

- You would have ultimate responsibility for the TOC water system much as you now have for the PI water system. Though you would not be expected to contribute to the operational costs of this or any of the PUD systems, you have ultimate responsibility. This is true for all of the PUD's current electrical and water systems.

## Consumer Pros

### TOC Residents

- Professional Management and Staff dedicated to the issues of their utilities. The PUD has a full time Manager at the helm, the Town does not. The current Manager holds a BS in Electrical Engineering and a MBA. He has 20 years plus experience in the public utility world. He has established a solid rapport with both State and Federal officials who can help get things done. It is safe to say, the PUD will always employ a Manager with similar credentials. It seems unlikely the Town will be in a position to duplicate this skill set anytime soon. In this small community, from a utility standpoint, it seems unnecessary to have this duplication anyway.
- Managerial Structure - PUD has a professional management structure. Town has a part time Mayor.
  - PUD will provide strong management and oversight for operations of all systems
  - PUD will provide strong management and oversight for all employees
  - PUD is financially strong/viable
  - PUD employs multiple experienced, knowledgeable water utility employees
  - Town customers will be able to access our energy & water assistance program (REAP) for water assistance
  - Economies of scale may be realized with employees being shared by multiple water systems resulting in stable rates
- One monthly utility bill for all water, sewer and electric utilities
- Potential access to “Consolidation Funding” not available without consolidation
- Nearly immediate repairs to:
  - Raw Water Intake
  - SCADA system
  - Other critical infrastructure deficiencies
- Efficiency - Currently residents are paying for two water system plans (Town and Puget Island)

### TOC Non-Residents

- All customers of water and sewer utilities will be able to elect policy makers.
  - A great many of the Towns water and sewer customers are outside the town limits. Under the current arrangement, they do not elect the policy makers for these utilities. Under the PUD model, they would.
- All of the items listed under the TOC Residents section.
- Representation / Local control - Currently, a large percentage of people receiving services from the Town of Cathlamet can not vote for the people who set their rates.



- All customers would have an opportunity to vote for decision makers.
- All Town utility customers will have representation - not just those who live in town limits and allowed to vote for town representation/councilmembers
- Efficiency - Currently residents are paying for two water system plans (Town and Puget Island)

## PI Residents

- Some, yet to be defined, economies of scale. Rough estimates see at least a 2 FTE reduction in the over all work force.
- Efficiency - Currently residents are paying for two water system plans (Town and Puget Island)
- Have more reliable water for Island

## County Residents-Non-Consumers

- Some over all efficiencies in your PUD operations.
- Efficiency - Currently residents are paying for two water system plans (Town and Puget Island)
- Other Considerations:
  - Inter local Agreement - Possible solution for the Town and PUD to enter into an inter local agreement to run the water system for the foreseeable future.
  - Easier for PUD to get grants
  - More experienced water crew
  - PUD has better equipment
- Transparency and trust
  - Customers expect the rates they pay are used specifically for maintaining and improving the utility services they rely on. Diverting these funds to other operations can erode public trust and lead to dissatisfaction among ratepayers/customers
- Service quality and reliability
  - The PUD has demonstrated a long-term historical commitment to high service quality and reliability
- Rate Fairness
  - Utility rates should reflect the cost of providing service. Subsidizing other town activities will not benefit everyone equally
- Financial health of the PUD
  - The PUD is currently is a strong financial position. They have been good stewards of the customers money
- Local control

- The Commissioners have demonstrated a commitment to the community, PUD customers, and staff.
- Increased investment
  - The PUD has demonstrated increased investment in infrastructure and service both through rates and with outside funding opportunities.
- Historical precedents
  - Utility consolidations typically are successful. There are typically reasons they are discussed and acted on. This one seems no different. Additionally, we believe rate increase trajectory will be less with the PUD than the Town.
- Fits the PUD/Public Power/Public Utility model
  - The final acquisition/combined system is what utilities do. It is what the voters of the state and county voted on back in 1936.
- Subsidization
  - The PUD will not use the Town water and/or sewer system revenues to subsidize any other PUD systems - all PUD systems are self-sufficient

## PUD Cons

- Will acquire significant debt in the form of loans currently held by the TOC.
  - Belief there are currently 3 loans associated with water and 1 loan associated with sewer. These seem to total about \$5,000,000.00. These are currently being paid from water and sewer income and this would likely continue under PUD management. Some evaluation of each loan may be necessary to see if payment is the responsibility of a particular customer group or if they simply become part of a broader PUD debt service package.
  - There may be some need for the professional evaluation of the terms and agreements attached to these loans. Commissioner Reid, I'm sure can take a look at them and advise if a deeper dive is advisable.
- **Additional Legal Concerns - Agreement / Loans / Bonds / Insurance / Restricted Funds / Reserves**
- The TOC water system needs some work to bring it up to the PUD standards. This may cause, at least in the short term, some effort beyond an acceptable income/expense ratio. My guess (Healy) is that the work load, initially, will increase 25% with less than complete funding.
- **Planning - Town has provided no plan for upgrading their struggling system in the future.**
- **TOC wants the PUD to buy the water and sewer systems that rate payers have already paid for.**
- **TOC wants the PUD to pay town for PI water after consolidation.**
- **TOC wants a monthly pay check from the PUD. \$42,000.00**
- **Town's water system capital projects**
- **Town's sewer system capital projects**
- **Increased staffing levels could create need for more vehicles, storage is becoming an issue**
- **Financial health of the PUD.**
  - The Town has significant infrastructure needs and this could erode the health of the PUD without outside funding sources or take longer to rebuild that financial health. Financial Policies are needing to be updated
- **Increased work load**
  - The project list for the Town system will be a burden to the PUD workforce and would need to ensure that the other systems are not impacted.
- **Short-Term consequences**
  - The Town issues will not get fixed immediately and thus increased service reliability may not happen immediately. However, this could be a positive to the Town in that the projects will at least get done in a reasonable manner.

## **PUD Pros**

- A larger work force and income base and the efficiency that accompanies them.
- Provide an opportunity to expand our legal and self-imposed conditions to provide high quality and affordable utility services.
- I (Healy) wouldn't need to attend TOC Council meetings any more.
- Have complete control of the water system.
- Economies of scale may be realized with employees being shared by multiple water systems resulting in stable rates.
- The PUD has developed a strong relationship with funders and has been successful in securing funding for projects.



## TOC Cons

- Loss of Utility Revenue used for non-utility purposes.
  - The big issue seems to be financial. There is no evidence that funds are being directly transferred to other accounts to be use for parks, streets, library, pool, etc. However until recently seven of nine FTE's were charging their time to water and sewer accounts. This has the effect of freeing up dollars to other departments for it's use. It is my understanding that some corrections to this pattern coding of time charges have been recently made. Any other financial benefits to the TOC are beyond me and have not been well explained publicly.
  - Distributed coding of bills and obligations is a legitimate and often used process by both the Town and the PUD. It is a standard practice in most accepted bookkeeping policies. An example at the PUD might be postage costs. If our distribution equation is based on departmental income, the distribution might be 70% electric and 30% water. Therefore if we purchase \$1000.00 worth of postage, \$700.00 would be charged to electric and \$300.00 would be charged to water.
- At the town much the same process is used. The utility income is a large portion of the Town income, lets say 65%. Any distributed bill therefore is funded at 65% by utilities and 35% by other income funds, taxes, etc. Over time, paying the bills, becomes more reliant on utility income, if taxes and fees are not increased. If utility rates and tax rates do not properly account for this an over reliance on utility rates is developed. This coupled with a heavy reliance on utility rates to pay for labor and loadings on labor put us to where we are now. The result is that there is not enough money, at the current utility rates, to complete needed repairs and updates to the utility systems while meeting the utility funds contribution to the distributed bills. If taxes or fees to support the library, pool, streets, etc. are not initiated or increased, dependency on utility rates continues to be a necessity.
- Loss of utilities in the TOC portfolio.
- Some loss of flexibility in workforce use.
- Customers within Town limits may face higher taxes from the Town so they can achieve financial stability.



## **TOC Pros**

- The Town would no longer have to concern themselves with issues related to water and sewer. This would include personal issues, such as staffing (including hiring and retention), training, acquiring credentials (operator certifications), etc. They would no longer have to purchase, maintain and warehouse equipment and materials associated with water and sewer. They would no longer have to do billing and collection activities associated with water and sewer.
- The TOC debt obligations would be significantly reduced.
- The TOC fleet and tool inventories could be reduced
- Town Staffing
  - If consolidation takes place, current Town employees will be encouraged to apply with the PUD