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June 9, 2026

John Mauro, City Manager

City of Port Townsend

250 Madison Street, Port Townsend, WA 98368

JMauro@cityofpt.us

Re: 2026 Olympic Gravity Water System Rate Review — The Legal and Safety Case for a Substantial Rate Increase | V_1.3

Dear Mr. Mauro,

I write as a Port Townsend resident and community accountability advocate regarding the five-year rate review for the Olympic Gravity Water System that you have confirmed will be completed by the end of 2026. I appreciate your public candor about the system's history, including your acknowledgment that neither the city nor the mill ever really paid into the replacement of the line and that the last substantive contract negotiation was in 1956. That history is exactly why the 2026 rate review carries such weight — for city ratepayers, for public safety, and for the city's legal obligations under Washington State law.

I. The Legal Obligation to Set Rates That Cover Actual Costs

Washington State law is direct on this point. Revised Code of Washington Chapter 35.92 prohibits municipalities from setting utility rates below the actual cost of providing the service. The Olympic Gravity Water System serves two customers: the municipal water system and Port Townsend Paper Company (PTPC). The mill uses 10 to 12 times more water than all municipal customers combined. The 2021 Water Supply Agreement established the first-ever cash rate for raw water: \$1.07 per 1,000 gallons, rising to approximately \$1.24 per 1,000 gallons by 2026. For context, Seattle Public Utilities and Tacoma Public Utilities charge wholesale untreated water customers a combined average of approximately \$2.48 per 1,000 gallons — double what Port Townsend Paper Company (PTPC) currently pays.

II. The Capital Program and Infrastructure Condition

The 2021 Water Supply Agreement documents a capital program of \$64 million over 20 years and \$161 million over 40 years — costs that must be borne by the system's two customers. The system is a 29-mile gravity-fed pipeline operational since 1928. Between 2024 and 2026 alone, four documented pipeline breaks have occurred: August 14, 2024; January 6, 2025; a second break within weeks in early 2025; June 4, 2025; and a March 2026 break on the 30-inch 1946 transmission line. The Lordsburg Lake East Dam has an active seismic deficiency project. These are not deferred maintenance items — they are active infrastructure failures.

III. The Rate Review and What Is Being Asked

I am asking the City of Port Townsend to conduct the 2026 Olympic Gravity Water System rate review with full transparency and public participation. Specifically: publish the full cost-of-service analysis; hold at least one public hearing before any rate is set; ensure that the rate charged to Port Townsend Paper Company (PTPC) covers the actual cost of providing the service, as required by Revised Code of Washington Chapter 35.92; and provide a written explanation of the methodology used to calculate the rate.

The community of Port Townsend has a direct interest in this rate review. The Olympic Gravity Water System is a public asset. The rate it charges the mill affects what is available for infrastructure investment, which affects the reliability and safety of the water supply for all residents.

Respectfully,

David Ginsberg

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cc: Mayor Amy Howard — AHoward@cityofpt.us

cc: Jefferson County Board of Health — boh@co.jefferson.wa.us

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