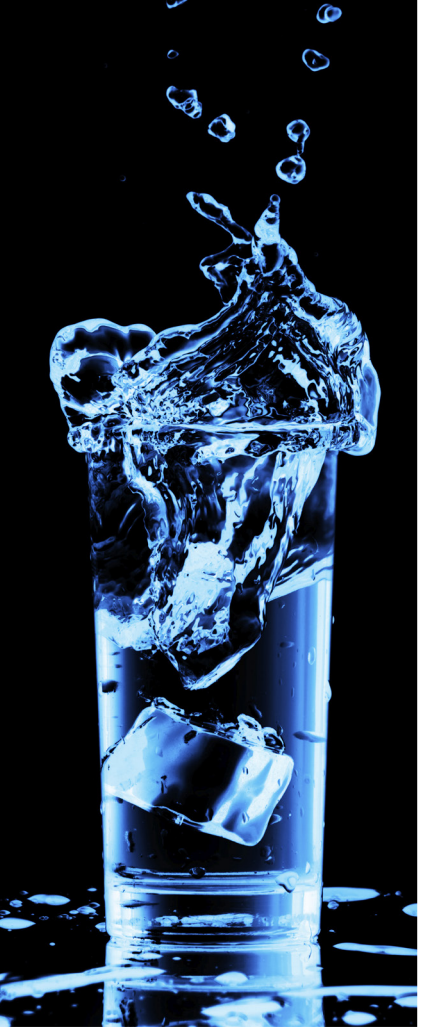

2016

City of Bellevue

Water System Plan

Volume 3 | Interlocal Agreements

CITY OF BELLEVUE WASHINGTON

Volume 3 – Interlocal Agreements

Beaux Arts Village (King County Water District #22)
- Emergency Service Connection

Cascade Water Alliance
- Declining Block Water Supply Agreement (2013; between City of Seattle and Cascade)
- Joint Municipal Utility Services Agreement (2012)
- Membership Audit Acceptance Agreement (2008)
- Agreement for Operations and Maintenance of Cascade Water Alliance Pipeline (2006)
- Pipeline Transfer and Acquisition Agreement (2006)
- Amended and Restated Interlocal Contract (2005)

City of Clyde Hill
- Franchise Agreement (1994)

Coal Creek Utility District (King County Water District #107)
- Water Supply Billing Agreement (1994)
- Interlocal Agreement Implementing Bellevue's Partial Assumption of CCUD (2002)
- Seattle Contract for Supply of Water to CCUD (2001; between City of Seattle and CCUD)
- Agreement for Emergency Connection at SE 49th Street (1985)

Hilltop Community, Inc. (King County Water District #117)
- City of Bellevue Council Resolution No. 8402 and Council Agenda Memorandum (2012)
- Agreement Relating to Water System Intertie (2012)
- Agreement Relating to Non-Assumption (2012)
- Interconnection Valve Operations Procedure Letter (1989)
- Water Emergency Agreement (1958)

Town of Hunts Point (and Former Water District #17)
- Assumption Agreement (1998)
- Agreement to Divide SEPA Lead Agency Responsibilities (1996)
- Franchise Agreement (1994)
- Services Agreement (1977)

City of Issaquah
- South Cove Assumption Agreement (2015; *forthcoming, not included*)
- Water Facilities Agreement (2005)
- Amendment to Wholesale Water Services Agreement (1999)
- Agreement for Wholesale Sanitary Sewer and Water Service to Lakemont Triangle (1990)
- Agreement for Wholesale Water Service to Glacier Ridge/Montreux (1989)

King County
- Terms and Conditions Applicable to Utilities Franchises Granted by King County (1995)
- Agreement for Establishing Water Utility Service Area Boundaries (1990)

DRAFT

City of Kirkland and Former Rose Hill Water District (Former Water District #81)

Interlocal Agreement for Emergency Water Intertie at 132nd Avenue NE (2012)
Amendment to Interlocal Operation and Maintenance Agreement (2005)
Interlocal Operation and Maintenance Agreement (1997)
Water Facility Transfer Agreement, North 300 Zone on Bellevue Way (1986)
Amendment to Joint Water Storage and Distribution Project Agreements (1983)
Agreement for Joint Maintenance and Operation of Water Storage and Distribution (1974)

City of Medina

Franchise Agreement (1994)

City of Redmond

Agreement for Water Distribution (2005)
Agreement for Wholesale Water Supply (1998)
Agreement for Joint-Use Water Storage and Pumping Facility (1990)
Agreement for Wholesale Water Supply (1990)
Water Service Transfer Agreement, Ardmore East Annexation Area (1986)
Water Service Agreement, Plat of Devon Ridge (1985)
Water Service Agreement, Plat of Redwood (1985)
Water Service Agreement, Plat of Wetherburn, Div. 2 (1985)
Water Service Agreement, Plat of Wetherfield North (1981)
Water Service Agreement, Argyle (1973)
Water District #99 Assumption Contract with Cities of Bellevue and Redmond (1972)
Water Service Agreement, Pitcarin View Addition (1972)
Water Service Agreement, Murray-Franklyn Addition (1972)
Water Service Agreement, Tam-O-Shanter (1968)

City of Seattle

Shared Cost Agreement for Eastgate Pump Station and Supply Inlet Station (1988)
Shared Cost Agreement for NE 8th St. and SE 28th St. Pump Stations (1983)

Water District #1

Amendment No. 2 to Interlocal Agreement for Purchase, Maintenance & Operations (2015)
Amendment No. 1 to Interlocal Agreement for Purchase, Maintenance & Operations (2005)
Interlocal Agreement for Purchase of System and Maintenance & Operations (2004)

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Beaux Arts Village

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April 20, 1979

Beaux Arts Village
2701 - 107th Avenue SE
Bellevue, Washington, 98004

Attention: Terry Monaghan

Re: Emergency Service Connection

Dear Terry:

The City of Bellevue will consider your 6-inch emergency water service as a fire standby meter, and you will be billed in accordance with Ordinance 2659, ie $17.00 bimonthly. All water actually used will be billed at the rate of $0.372 per 100 cubic feet through this meter. The two inch meter will be billed at $27.60 bimonthly, up to 1000 cubic feet at no extra charge.

As we have previously discussed, the meter registration must be changed from reading in gallons to reading in cubic feet. During periods of scheduled down time on your system, we request that you notify us in advance.

Sincerely,

CITY OF BELLEVUE
PUBLIC WORKS DEPARTMENT

Walter E. Davis, Jr., Manager
Water & Sewer Utility Division

cc: Billing Department

WED/ic

Cascade Water Alliance

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2ND AMENDED AND RESTATED

DECLINING BLOCK

WATER SUPPLY AGREEMENT BETWEEN

THE CITY OF SEATTLE

AND

THE CASCADE WATER ALLIANCE

July 15, 2013

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2nd AMENDED AND RESTATED DECLINING BLOCK WATER SUPPLY AGREEMENT BETWEEN THE CITY OF SEATTLE AND THE CASCADE WATER ALLIANCE

This 2nd amendment to and restatement of the Declining Block Water Supply Agreement between the City of Seattle, a municipal corporation ("Seattle"), and the Cascade Water Alliance, a joint municipal utility services authority formed under authority of Chapter 39.106 RCW ("Cascade"), is dated and effective this 15th day of July, 2013 ("Agreement").

Whereas, Seattle is a regional water supplier currently providing service to numerous water utilities in King County, Washington; and

Whereas, the Cascade Water Alliance was formed for the purpose of providing water supply to its Members; and

Whereas, in 2004, the Cascade Water Alliance and Seattle entered into a 50-year Declining Block Water Supply Agreement, which was amended and restated in 2008; and

Whereas, in 2012, Cascade converted from a non-profit corporation formed under the Interlocal Cooperation Act to a municipal corporation under the Joint Municipal Utility Services Act, Chapter 39.106 RCW; and

Whereas, regional municipal water supply forecasts show a demand growing more slowly than previously forecast over the next 50 years resulting in an opportunity to reconsider future supply planning by both Parties; and

Whereas, after meeting the demands of its existing retail and wholesale customers, Seattle has water supply available to sell for a defined period with minimal risk of triggering the need for new supply development prior to 2060; and

Whereas, Cascade has determined that it can defer development of its Lake Tapps water right by purchasing additional block water from Seattle for a defined period and using its members' independent supplies; and

Whereas, temporary sales of additional block water from Seattle to Cascade would bring additional revenue into the Seattle system and allow Cascade to defer substantial capital investment to develop its Lake Tapps water right into the future; and

Whereas, Cascade and Seattle desire to amend the 2008 Amended and Restated 50-year Declining Block Supply Water Supply Agreement to restructure the supplemental block of water through 2023, to extend the total block of water from 2024 through 2044 and to restructure the declining block increments, all of which are mutually beneficial to the Parties and their respective customers by maximizing existing resources and stabilizing rate paths; and

Whereas, the Parties intend that this amendment to the Agreement continue the existing structure as a declining block contract based on the expectation that Cascade will develop its own independent supply and that Seattle will have no further obligation to provide additional water to Cascade during or beyond the amended term of this Agreement.

Now therefore, Seattle and Cascade agree to the following terms and conditions for the provision and purchase of a declining block water supply.

ARTICLE I - AGREEMENT

Seattle agrees to sell to Cascade and Cascade agrees to purchase from Seattle, according to the terms of this Agreement, a wholesale supply of water and the transmission capacity sufficient to deliver such water supply to Cascade.

The term of this Agreement is January 1, 2004 through December 31, 2063.

Beginning January 2020, and again each January at 5-year intervals, either Cascade or Seattle may request consideration of further extension of the supply commitment. Neither Party is obligated to agree to such discussion or any related extension or other amendment; and any extension or amendment would be subject only to terms negotiated at the time of such written amendment to this Agreement in accordance with Section 9.4.

Apart from the contract right to purchase water from Seattle under the terms of this Agreement, neither Cascade nor any Cascade Member has any right or claim to the Seattle Water System, the Cedar and Tolt Rivers and to the Seattle Well Fields, or to any other water right or claim held by Seattle. Likewise, Seattle shall have no right or claim to the Cascade Water System or to any groundwater right or claim held by any Cascade Member, or to any future source of supply developed by Cascade or by any of its Members. At the termination of this Agreement, Seattle shall have no further obligation to supply Cascade or any Cascade Member with water, with the exception of Cascade's right to purchase up to 5.3 MGD as set forth in Section 3.5.

ARTICLE II – DEFINITIONS

8 MGD Wholesale Water Supply. All or any portion of the 8 MGD Wholesale Water Supply as that term is defined in the Amended and Restated Agreement for the Sale of Wholesale Water between Cascade and the City of Tacoma, dated December 31, 2012. The Parties understand and agree that the 4 MGD and 6 MGD Wholesale Water Supplies under that same agreement are not covered by this Agreement as they would be wholesale sales by the City of Tacoma, not Cascade.

Average Daily Demand ("ADD"). The amount of water supplied by the Seattle Water System to Cascade in a calendar year divided by the number of days in that calendar year.

Base Block. The amount of water Seattle commits to supply Cascade beginning on January 1, 2004 through the termination date of this Agreement, as specifically scheduled in Section 3.4 A.

Cascade Block. The total amount of water Seattle commits to supply Cascade under this Agreement, composed of the Base Block and the Supplemental Block, as more fully expressed in Article III.

Cascade Member. A Member of Cascade as that term is defined in the Cascade Water Alliance Joint Municipal Utility Services Agreement, dated March 28, 2012, as it may be amended from time to time.

Cascade Points of Delivery. Seattle owned and operated specific metered delivery locations serving Cascade Members as listed in Exhibit II, at which Seattle provides a defined level of service, beginning from the outlet from the supply pipeline to the end of the Seattle meter vault, including the water meter and associated appurtenances.

Cascade Sub-regional System. Seattle owned and operated Transmission System assets serving Cascade Members as listed in Exhibit VII.

Cascade Water System. Tangible and intangible assets owned or operated by Cascade useable in connection with the provision of water supply.

Existing Supply System Facilities. Seattle owned and operated Supply System assets as listed in Exhibit IV.

Existing Transmission System Facilities. Seattle owned and operated Transmission System assets as listed in Exhibit V.

Firm Yield. The estimated amount of water that Seattle's Supply System can provide according to Seattle's supply reliability standard and expressed in annual average MGD. For purposes of this Agreement, Seattle's Firm Yield is 171 MGD, unless modified pursuant to Section 3.2.

Full or Partial Requirements Customer Commodity Charge. The rate charged per 100 cubic feet (ccf) to wholesale customers served under Full or Partial Requirements Contracts in accordance with Seattle Municipal Code (SMC) 21.04.440.E.2, as it may be amended from time to time.

Management Agreement. A written agreement, pertaining to subjects authorized by this Agreement, between the Director, Seattle Public Utilities, and the Chief Executive Officer ("CEO"), Cascade Water Alliance.

MGD. Million gallons per day.

Party (ies). Seattle and/or Cascade, as well as their respective successors and assigns.

Peak Month. The consecutive thirty- (30) day period during a calendar year in which Cascade puts its maximum demand upon the Seattle Water System.

Peak Month Factor. Average Daily Demand multiplied by 1.69

Peak Season. June 1 through September 30.

Peak Season Factor. Average Daily Demand multiplied by 1.35

Rate of Return on Investment. The average cost of debt of the Seattle water system plus 1.5 percent.

Seattle's Service Area Boundary. Seattle's then-current designated place of use of Seattle's water certificates, permits, claims or service area under Seattle's approved water system plan at the time of the sale in accordance with applicable state law.

Seattle Water System. All Seattle owned and operated water rights and claims and all Seattle owned and operated facilities, including the Seattle Existing Supply System Facilities as listed in Exhibit IV, the Seattle Existing Transmission System Facilities as listed in Exhibit V, Cascade and other Sub-regional Facilities and Points of Delivery, together comprise the Seattle Water System.

Sub-regional Facilities. Any facilities owned and operated by Seattle that are not identified as Existing Supply System Facilities (Exhibit IV), Existing Transmission System Facilities (Exhibit V), or Cascade Sub-regional System (Exhibit VII).

Supplemental Block. The amount of water Seattle commits to supply Cascade beginning on January 1, 2009 through December 31, 2044, as specifically scheduled in Section 3.4 B.

White River – Lake Tapps Reservoir Project. Cascade's project to develop a new municipal drinking water supply in the future from the White River and Lake Tapps under water rights issued in 2010 under Permit Nos. S2-29920(A) and (B), S2-29934, R2-29935, and Claim No. 160822, as more particularly defined in Cascade's approved Transmission and Supply Plan.

ARTICLE III - SUPPLY

3.1 A. Each calendar year from the effective date of this Agreement, Seattle shall make available to Cascade the Base Block, according to the schedule set forth in Section 3.4 A.

B. Each calendar year commencing January 1, 2009 and terminating on December 31, 2044, Seattle shall make available to Cascade the Supplemental Block, according to the schedule set forth in Section 3.4 B.

3.2 In the event the Firm Yield of the Seattle Supply System is reduced, the Cascade Block will be reduced in proportion to such reduction in Firm Yield only if the Firm Yield is reduced by order of a State or Federal regulatory agency with appropriate jurisdiction or as the result of updated climatic data utilized in the hydraulic model used to calculate Firm Yield, unless the Parties mutually agree by Management Agreement to a different reduction or no reduction to the Cascade Block if it is in each their best interests at the time. In the event of any reduction to the Cascade Block, the Base and Supplemental Blocks will be reduced in the same proportion, as appropriate. Cascade shall be notified of any potential change in Firm Yield as far in advance as possible, but in no event less than 180 days prior to the effective date of an adjustment to Firm Yield that affects the Cascade Block.

3.3 Seattle will supply the Cascade Block during the Peak Season and Peak Month as follows below and will be adjusted proportionately in relation to the decreases identified in Section 3.4:

A. During the Peak Season, Seattle shall make available the Cascade Block multiplied by the Peak Season Factor.

B. During the Peak Month, Seattle shall make available the Cascade Block multiplied by the Peak Month Factor.

3.4

A. The Base Block shall be supplied in accordance with the following schedule:

1. Beginning January 1, 2004 through December 31, 2023, Seattle shall make available to Cascade 30.3 MGD Average Daily Demand.
2. Beginning January 1, 2024 through December 31, 2029, Seattle shall make available to Cascade 29.3 MGD Average Daily Demand.
3. Beginning January 1, 2030 through December 31, 2034, Seattle shall make available to Cascade 26.8 MGD Average Daily Demand.
4. Beginning January 1, 2035 through December 31, 2045, Seattle shall make available to Cascade 24.3 MGD Average Daily Demand.
5. Beginning January 1, 2046, Seattle shall make available to Cascade 23.3 MGD Average Daily Demand, and on each January 1 thereafter through December 31, 2063, the amount will decline by 1 MGD Average Daily Demand until it reaches5.3 MGD Average Daily Demand.
6. Beginning January 1, 2064, Seattle shall make available to Cascade up to 5.3 MGD Average Daily Demand in accordance with Section 3.5.

B. The Supplemental Block shall be supplied in accordance with the following schedule:

1. Beginning January 1, 2009 through December 31, 2023, Seattle shall make available to Cascade 3.0 MGD Average Daily Demand.
2. Beginning January 1, 2024 through December 31, 2029, Seattle shall make available to Cascade 4.0 MGD Average Daily Demand.
3. Beginning January 1, 2030 through December 31, 2034, Seattle shall make available to Cascade 6.5 MGD Average Daily Demand.

4. Beginning January 1, 2035 through December 31, 2039 Seattle shall make available to Cascade 9.0 MGD Average Daily Demand.
5. Beginning January 1, 2040 through December 31, 2040 Seattle shall make available to Cascade 7.0 MGD Average Daily Demand.
6. Beginning January 1, 2041 through December 31, 2041 Seattle shall make available to Cascade 5.0 MGD Average Daily Demand.
7. Beginning January 1, 2042 through December 31, 2042 Seattle shall make available to Cascade 3.0 MGD Average Daily Demand.
8. Beginning January 1, 2043 through December 31, 2043 Seattle shall make available to Cascade 2.0 MGD Average Daily Demand.
9. Beginning January 1, 2044 through December 31, 2044 Seattle shall make available to Cascade 1.0 MGD Average Daily Demand.

3.5 Beginning January 1, 2064, Cascade shall have the right to purchase up to 5.3 MGD for the sole purpose of serving Cascade Members that cannot be economically served by any other means than the Seattle Transmission System. The right to purchase up to 5.3 MGD shall be exercised by Cascade by providing written notice to Seattle by December 31, 2062, specifying the Block of water from zero to 5.3 MGD and the Cascade Members to be served by that Block. If Cascade exercises this right, the parties shall enter into a separate agreement.

3.6

A. All water supplied to Cascade under this Agreement is provided with the intent to serve Cascade Members' retail customers without limitation.

B. Cascade or Cascade Members may sell water supplied under this Agreement, or water from their respective independent supplies offset by water supplied under this Agreement, for wholesale purposes to non-Cascade Members only as follows:

1. <u>For temporary emergency purposes</u> under those specific emergency intertie agreements identified in Exhibit I.

2. <u>To wholesale customers of Cascade or a Cascade Member, as of January 31, 2013</u>. The parties will amend Exhibit I by Management Agreement by August 1, 2013 to reflect all of the non-Cascade Members being served under this provision.

3. <u>Within Seattle's Service Area Boundary</u>, except for then-current Seattle Wholesale Customers, provided that: (a) Cascade obtains Seattle's prior written consent; and (b) an equivalent amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale. Seattle's consent may be subject to conditions Seattle deems reasonably necessary to protect the Seattle Regional Water Supply System. This provision

will not apply to any wholesale sales authorized under other provisions of this Section 3.6.

4. Outside of Seattle's Service Area Boundary, provided that: (a) Cascade provides advance written notice to Seattle in a form mutually agreed by the Parties by Management Agreement; and (b) an equivalent amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale.

5. From the 8 MGD Wholesale Water Supply from the City of Tacoma or water supplies from Cascade's White River - Lake Tapps Reservoir Project, except not to then-current Seattle Wholesale Customers, provided that: (a) Cascade provides advance written notice to Seattle in a form mutually agreed by the Parties by Management Agreement; and (b) an equivalent amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale.

6. To then-current Seattle Wholesale Customers provided that: (a) Cascade obtains Seattle's prior written consent; and (b) the full amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale. Seattle's consent may be subject to conditions Seattle deems reasonably necessary to protect the Seattle Regional Water Supply System.

7. Offsets. For the purposes of this Section 3.6 B, the Parties understand and agree that any wholesale sales made by Cascade or a Cascade Member prior to the full implementation and delivery of water supplies from Phase 2 of Cascade's White River – Lake Tapps Reservoir Project, as more particularly defined in Cascade's 2012 Transmission and Supply Plan, are made with water supplied under this Agreement or water from Cascade or Cascade Member's respective independent supplies offset by water supplied under this Agreement and that the applicable provisions of this Section 3.6 B apply to such wholesale sales. After the full implementation and delivery of water supplies from Phase 2 of Cascade's White River – Lake Tapps Reservoir Project, the Parties understand and agree that the applicable provisions of this Section 3.6 B will apply unless Cascade demonstrates and Seattle agrees that a particular wholesale sale by Cascade or a Cascade Member is from surplus independent supplies without offset by water supplied under this Agreement.

3.7 All water supplied under this Agreement must be used within Seattle's Service Area Boundary.

3.8 During the term of this Agreement, if a Seattle Wholesale Customer identified in Exhibit III becomes a Cascade Member, Seattle will release that customer from its obligations

under its existing water supply contract with Seattle in accordance with the provisions of such contract and the Supplemental Block will be increased by the allocated block of water identified in Exhibit III for that customer, with a corresponding proportional increase to any adjustments or limitations to the Cascade Block under Sections 3.3, 3.4 and 3.14. If that entity takes delivery of all or a portion of its water through a Sub-regional Facility, Cascade and Seattle shall enter into a Management Agreement to include the costs of such facility under this Agreement prior to increasing the Supplemental Block.

3.9 For the purpose of determining the consecutive 30-day period, which constitutes the Peak Month, a daily average delivery may be calculated so long as meter readings occur no fewer than 26 days apart. In such cases, daily average delivery shall be calculated by dividing the total deliveries by the actual number of days between meter readings. Periods less than 26 days shall not be applicable for determining the Peak Month.

3.10 Daily average delivery during the Peak Season may be calculated using meter readings taken closest to June 1 and September 30 each year and dividing the total delivery during such time by the actual number of days between meter readings. Periods less than 110 days shall not be applicable for determining the Peak Season.

3.11 Average Daily Demand for a calendar year may be calculated by using the monthly meter readings around the 20th of each month from February through December of that calendar year plus a prorated amount for the number of days in January from the January meter read in that calendar year plus a prorated amount for the number of days in December from the January meter read in the following calendar year and dividing the total deliveries during such time by the actual number of days in that calendar year. The year-end prorations used to calculate ADD may be adjusted by Management Agreement based on changed meter reading procedures.

3.12 Seattle shall endeavor to read the meters at all Cascade Points of Delivery on the same day. In the event that meters at any Cascade Point of Delivery cannot be read on the same day, all meter reads for that metering period shall be considered to occur on the day on which the meters measuring the majority of the Cascade volume for that metering period were read.

3.13 Normal operation of the water system includes the periodic shutdown of various facilities for routine maintenance, rehabilitation and replacement. Seattle and Cascade shall cooperate in the timing of such activities. Cascade shall not use such activities as evidence of the unavailability of supply or transmission services provided by Seattle under this Agreement so long as Seattle proceeds in good faith to restore such facilities to service.

3.14 Nothing in this Agreement, including, but not limited to, any penalties for exceedance of the Cascade Block, shall be construed to require Seattle to sell or deliver water in excess of the following amounts:

A. Total deliveries during a calendar year in the amount of the Cascade Block multiplied by 365 days (366 in leap years);
B. Total deliveries during the Peak Season in the amount of the Cascade Block multiplied by 165 days;
C. Total deliveries during the Peak Month in the amount of the Cascade Block multiplied by 51 days;
D. Total deliveries during any consecutive 30-day period from October 1 to May 30 in the amount of the Cascade Block multiplied by 30 days;
E. Total deliveries during any consecutive 7-day period in the amount the Cascade Block multiplied by 13 days;
F. Total deliveries within any one-day period in the amount of the Cascade Block multiplied by 2 days.

Upon notice by Seattle of exceedance of these limits, Cascade must immediately reduce its deliveries of Seattle water. Upon the failure of Cascade to reduce its demand, Seattle may install and operate devices that limit deliveries to Cascade to these amounts, all at Cascade's expense.

ARTICLE IV - TRANSMISSION

4.1 Each calendar year during the term of this Agreement, Seattle shall sell to Cascade and Cascade shall purchase from Seattle capacity in the Seattle Transmission System according to the following terms and conditions:

A. Seattle shall provide capacity sufficient to supply the Cascade Block to Cascade at Cascade Points of Delivery. Adjustments in the Cascade Block shall result in an equivalent adjustment in Seattle's Transmission capacity commitment. The specific Cascade Points of Delivery that are to be adjusted and the adjustment for each Cascade Point of Delivery shall be determined by Management Agreement so long as a determination is made that there is no adverse impact on the overall Seattle Water System.

B. Cascade Points of Delivery are specifically identified in Exhibit II. The Parties may amend the location, hydraulic gradient and instantaneous flows at each Cascade Point of Delivery by Management Agreement.

C. Seattle shall supply water at the inlet side of each Cascade Point of Delivery meter at a hydraulic gradient no less than the minimum identified in Exhibit II provided that the instantaneous flow does not to exceed that set forth in the same exhibit. Seattle may change the minimum hydraulic gradient at any Cascade Point of Delivery once during any fifteen-year period, provided that four years prior notice is given to Cascade. Under emergency conditions or other unusual short-term operating situations Seattle shall not be obligated to meet minimum hydraulic gradients.

D. Cascade may request changes to existing or additional Cascade Points of Delivery from the Existing Transmission System Facilities, which Seattle may approve or reject at its

sole discretion. Seattle shall establish the minimum hydraulic gradient for any new Cascade Point of Delivery at its sole discretion, after consultation with Cascade. The Parties may amend Exhibit II to reflect the changes in or additional Cascade Points of Delivery under this section by Management Agreement.

E. No provision of this Agreement shall be construed to require Seattle to provide flows greater than those identified in Exhibit II. Upon notice by Seattle, Cascade shall immediately reduce Cascade deliveries at a Cascade Point of Delivery to not more than those identified in Exhibit II. In the event that Cascade is unwilling or unable to reduce deliveries as required under this provision, Seattle may install and operate flow restricting devices at non-compliant Cascade Points of Delivery, all at Cascade expense.

4.2 Cascade is served, in part, by transmission facilities referred to as the Cascade Sub-regional System listed in Exhibit VII. The costs of operating, maintaining, repairing and replacing these facilities shall be the responsibility of Cascade as outlined in Sections 8.6 and 8.7 below. The Parties may amend Exhibit VII by Management Agreement.

4.3 Nothing herein shall restrict Cascade's authority to construct an independent water transmission system for its own water supply.

4.4 Cascade Members have interties, listed in Exhibit I, with adjacent water utilities that are non-Cascade members. The Parties may amend Exhibit I by Management Agreement. Any existing agreements related to the billing and meter reading arrangements for these interties are assumed as a part of this Agreement. If new interconnections between Cascade or Cascade Members and non-Cascade members require similar billing and meter reading arrangements, such arrangements shall be defined in an agreement to be entered into by Cascade, Seattle and the non-Cascade member.

4.5 A. Transmission Wheeling. Seattle, at its discretion, may make excess transmission capacity available for a fee and under conditions it deems reasonable, for purposes of wheeling other water supply between points within the Seattle Water System to Cascade or others.

B. Interconnection/Intertie.

1. In the event Cascade requests an interconnection to the Seattle Water System to take delivery of any other water supplied to Cascade under separate water supply contracts or arrangements, Cascade shall, at its expense, be responsible for the design, engineering, permitting and construction of any and all infrastructure necessary to interconnect to the Seattle Water System. Any interconnection to the Seattle Water System or intertie between the Seattle Water System and another water supply system will be subject to Seattle's review, approval and such conditions and requirements as Seattle and the other

water supply system owner may determine to be reasonably necessary in order to provide and maintain the safe and efficient design, function, capacity, water quality, integrity and reliability of their respective water supply systems.

2. Seattle may request that the interconnection allow for joint use for Seattle's purposes subject to mutually agreed upon terms.

ARTICLE V - WATER QUALITY

Seattle shall be responsible for water quality within the Seattle Water System, and it shall supply water to Cascade, that meets or exceeds federal and state drinking water quality standards, as those standards may change from time to time.

ARTICLE VI - CONSERVATION

Each Party is committed to the principles of water conservation and each intends to achieve its anticipated savings by implementing water conservation programs either unilaterally or in partnership with other agencies. Cascade understands and agrees that as an existing wholesale customer of Seattle, this commitment includes good faith efforts in meeting the intent of Part 1, Section B.1.5 of the Settlement Agreement between the Muckleshoot Indian Tribe and the National Marine Fisheries Services and the City of Seattle (Civ. No. 03-3775JLR), by implementing, through its own water conservation program(s), conservation measures that provide comparable savings to those implemented by Seattle within the Seattle Retail Distribution System.

ARTICLE VII - PLANNING AND SHORTAGE MANAGEMENT

7.1 Each Party recognizes its obligation to plan for water supply and distribution in compliance with the State Department of Health water system planning regulations. Each Party shall develop a water system plan for its service area and the Parties shall coordinate those elements of overlapping responsibilities.

7.2 Cascade and Seattle shall coordinate the development, adoption and implementation of their respective Water Shortage Management Plans. Before invoking its Water Shortage Management Plan, the Parties shall communicate with each other concerning current and projected water supply conditions.

7.3 Seattle has negotiated agreements with federal agencies, state agencies and tribes for the long term preservation and enhancement of watersheds and in-stream beneficial uses and habitat. Such agreements have direct bearing on decisions to curtail the amount of water available for municipal and industrial water supply in any given season. Any water use restrictions imposed under the terms of such agreements shall be borne proportionately by Seattle, its other wholesale customers, and Cascade with respect only to the size of the

Cascade Block at the time curtailment is required. In that event, the Base and Supplemental Blocks will be reduced or restricted in the same proportion, as appropriate.

ARTICLE VIII - COST RECOVERY

8.1 The provisions of this Article shall apply to the establishment of fees and charges for water supply and related services. The parties understand and agree that the cost allocation and recovery provisions were specifically negotiated and based on specific consideration of the circumstances of this extended and restructured declining block contract, including but not limited to the limitations and restrictions applied in this Agreement, recognition of protection against stranded costs in the Seattle Water System, and recognition of the anticipated savings from Cascade's deferred capital project expenditures.

8.2 For the purposes of allocating costs of water supply, there shall be two water supply cost pools consisting of an existing Seattle water supply assets cost pool ("Existing Supply Cost Pool") and a new Seattle water supply assets cost pool (the "New Supply Cost Pool").

A. Existing Supply Cost Pool. The costs of infrastructure, including operation, maintenance, repair and replacement of Existing Supply System Facilities listed in Exhibit IV shall be included in the Existing Supply Cost Pool. The Parties may amend Exhibit IV by Management Agreement.

B. New Supply Cost Pool. The costs of water supply resources developed in the future ("New Supply Resources") that expand the capacity of the Seattle Supply System, including the costs of the Regional Conservation Program shall be included in the New Supply Cost Pool. If any portion of a New Supply Resource project enhances reliability of Existing Supply System Resources, the costs thereof may be allocated to the Existing Supply Cost Pool by Management Agreement.

8.3 For purposes of determining the cost of the transmission of water to the Wholesale Customers there shall be three transmission cost pools consisting of an existing transmission cost pool ("Existing Transmission Cost Pool"), a new transmission cost pool ("New Transmission Cost Pool"), and a Cascade transmission cost pool ("Cascade Sub-regional System Cost Pool").

A. Existing Transmission Cost Pool. Costs to be allocated to the Existing Transmission Cost Pool shall consist of the following: operation, maintenance, repairs and replacements to the Existing Transmission System Facilities listed in Exhibit V and may include costs related to Cascade Points of Delivery in accordance with this Agreement or as mutually agreed by Management Agreement to address third party claims arising from a Cascade Point of Delivery. Costs incurred for purposes of transmission reliability may be included in the Existing Transmission Cost Pool by

Management Agreement. The Parties may amend Exhibit V by Management Agreement.

B. New Transmission Cost Pool. The cost of new transmission facilities shall be included in the New Transmission Cost Pool. A portion of the renewal, replacement or modification of Existing Transmission System Facilities which create an expansion of transmission capacity may be allocated to the New Transmission Cost Pool.

C. Cascade Sub-regional System Cost Pool. The costs of operating, maintaining, repairing and replacing the Cascade Sub-Regional System facilities owned by Seattle and listed in Exhibit VII shall be included in the Cascade Sub-regional System Cost Pool, in an amount proportionate to the use of the facilities by Cascade, together with any other costs Cascade and Seattle agree to include by Management Agreement. In the event that Cascade ceases to receive water through one or more of the facilities in the Cascade Sub-regional System, these facilities may be decommissioned at Seattle's sole discretion, and Cascade shall pay Seattle for the remaining Net Book Value of the decommissioned facilities in an amount proportionate to the use of the facilities by Cascade together with any decommissioning costs.

8.4 A. If Seattle determines that changing the location of a Cascade Point of Delivery is required for the improved operation of the Seattle Transmission System then such costs shall be included in the Existing Transmission Cost Pool. Seattle shall notify Cascade of any proposed changes to a Cascade Point of Delivery and consult with Cascade to ensure minimal impact on the affected Cascade Member's distribution system and appropriate coordination of operation and construction activities.

B. The costs of operating, maintaining, repairing, replacing, relocating, adding or improving Cascade Points of Delivery for any reason other than Section 8.4.A shall be borne by Cascade, except to the extent that such costs are due to the negligence of Seattle. Costs will be invoiced and due in 30 days upon receipt or as otherwise provided for by Management Agreement as provided in Article X. Seattle shall notify Cascade of any proposed improvements to a Cascade Point of Delivery and consult with Cascade to ensure minimal impact on the affected Cascade Member's distribution system and appropriate coordination of operation and construction activities. Allocation of costs related to third party claims arising from Cascade Points of Delivery may be handled pursuant to a Management Agreement.

8.5 Seattle shall maintain a cost accounting system consistent with the provisions of this Agreement and generally accepted accounting principles consistently applied in developing the financial information for determining the costs of construction, replacement, maintenance and operation of the facilities in each cost pool.

A. Asset Accounts. An asset account shall be maintained for each facility and within that account Seattle shall record the original cost of that facility plus betterments and less retirements.

B. Depreciation. Facilities shall be depreciated according to Standard Water System Asset Lives and a record of life-to-date depreciation shall be maintained for each facility. No depreciation shall be recorded in the first calendar year of operation of a facility. A full year's depreciation shall be recorded in every subsequent year.

C. Net Book Value. The net book value of any facility shall be its original cost plus betterments and less retirements as recorded in its facility asset account, less life-to-date depreciation.

8.6 Costs in each cost pool shall be calculated as follows:

A. Infrastructure Costs. Each cost pool shall include the infrastructure costs for its respective facilities, calculated on a utility, cash or other basis depending upon the facility and the cost pool as set forth below.

1. Utility Basis. The utility basis shall be used to calculate the infrastructure costs for all Existing Supply System Facilities, all Existing Transmission System Facilities, and all Cascade Sub-Regional System facilities, as well as their replacements and betterments. Under the utility basis, the infrastructure cost for a facility in any year shall be the sum of (i) the annual depreciation expense recorded for that facility and (ii) the product of the net book value of that facility and the Rate Of Return On Investment. At Seattle's discretion, interest costs may be considered current infrastructure costs during the construction of a facility. However, any such interest costs must then be considered contributions in aid of construction, and not included in the Net Book Value of the facility for purposes of calculating Utility Basis costs in future years.

B. Operations Costs. The costs of operating the assets assigned to a cost pool shall be included in the cost pool. The annual operations costs of a cost pool shall be the labor, materials, equipment and other direct costs required for the operation and maintenance of the facilities in that cost pool, together with any net profit or expense from the disposition of facilities in that pool. Operations costs shall include the cost of general and administrative overhead applied in a manner consistent with its application to facilities construction projects.

1. Existing Supply Operations Costs. The Parties agree that an efficient way of handling operations costs for the Existing Supply Cost Pool shall be as follows: The Operations Cost base in the Existing Supply Cost Pool for the year 2001 shall be $17,780,262.00. In each succeeding year, the amount from the previous year shall

be adjusted by the percentage change in the total cost of all the supply cost centers identified in Exhibit VI, as it may be updated from time to time by Management Agreement, except that the increase in treatment operations costs caused by the first full year start-up of the Cedar Treatment Plant at Lake Youngs in or around 2005 shall not be included in the percentage adjustment. Any increase in Cedar Treatment operations costs for the first full year of operation of the plant shall instead be added directly to the Operations Cost total from the prior year as adjusted by the index. For each year after the first full year of operation, increases in Cedar Treatment operations costs shall be included in the adjustment index.

2. Existing Transmission Operations Costs. The Parties agree that an efficient way of handling operations costs for the Existing Transmission Cost Pool shall be as follows: the Operations Costs base in the Existing Transmission Cost Pool for the year 2001 shall be $4,531,931.00. In each succeeding year, the amount of these costs from the previous year shall be adjusted by the percentage change in the total cost of all the transmission cost centers identified in Exhibit VI, as it may be updated from time to time by Management Agreement.

3. Cascade Sub-regional System Cost Pool Operating Costs. Cascade Sub-regional System Cost Pool Operating Costs shall include: (i) the actual costs of operating the facilities listed in Exhibit VII in proportion to the actual use of such facilities by Cascade; (ii) the electricity costs paid by Seattle after the effective date of this Agreement, in accordance with certain contracts effective on or before January 1, 2002 identified in Exhibit I, for pump stations owned and operated by Cascade Members and connected to the Tolt East Side Supply Line; and, (iii) any other costs approved by Management Agreement shall be Cascade Sub-regional System Cost Pool Operating Costs.

C. Disposition Costs. The costs of disposing of assets within a cost pool shall be included in the cost pool. Net disposition costs shall be calculated as follows:

1. Disposition under the Utility Basis. The net book value of the facility, less any sales, salvage, or other revenues derived from the disposition of that facility.

8.7 For the Base Block, the costs in cost pools shall be allocated to Cascade as follows:

A. Allocation of Existing Supply Cost Pool. Cascade shall pay one hundred two percent (102%) of the product of the Base Block and the costs in the Existing Supply Cost Pool divided by the Firm Yield. In the event the 171 MGD Firm Yield is modified downward in accordance with Section 3.2 , this allocation formula will use the Base Block, whether reduced or not, and the modified Firm Yield. In the event the 171 MGD Firm Yield is modified upward (with no change in the Base Block), this allocation formula will continue to use the existing 171 MGD Firm Yield. The Parties understand and agree the intent of this provision is that Cascade will pay a consistent percentage of system costs regardless of modifications of Firm Yield unless the parties

subsequently mutually agree to an alternative reduction to the Cascade Block pursuant to Section 3.2.

B. Allocation of New Supply Cost Pool. Cascade shall pay none of the costs in the New Supply Cost Pool.

C. Allocation of Existing Transmission Cost Pool. Cascade shall pay one hundred two percent (102%) of the product of the Base Block and the costs in the Existing Transmission Cost Pool divided by the Firm Yield. In the event the 171 MGD Firm Yield is modified downward in accordance with Section 3.2, this allocation formula will use the Base Block, whether reduced or not, and the modified Firm Yield. In the event the 171 MGD Firm Yield is modified upward (with no change in the Base Block), this allocation formula will continue to use the existing 171 MGD Firm Yield. The Parties understand and agree the intent of this provision is that Cascade will pay a consistent percentage of system costs regardless of modifications of Firm Yield unless the parties subsequently mutually agree to an alternative reduction to the Cascade Block pursuant to Section 3.2.

D. Allocation of New Transmission Cost Pool. Cascade shall pay none of the costs in the New Transmission Cost Pool.

E. Allocation of the Cascade Sub-regional System Cost Pool. Cascade shall pay costs in the Cascade Sub-regional System Cost Pool as follows:

1. 100% of the costs associated with all facilities listed in Exhibit VII.A.
2. A proportionate share of those facilities listed in Exhibit VII.B. based on flows of Cascade Members. Costs will be allocated based on Peak 7 Day flows through each segment. In the event that Peak 7 Day flow data is not available, Peak Month flows may be substituted.

8.8 For the Supplemental Block, Cascade shall pay the then current Full or Partial Requirements Customer Commodity Charge. The Full or Partial Requirements Customer Commodity Charge shall be applied to the annual volume of the Supplemental Block allocated by month in accordance with the schedule in Section 8.10 C. Seattle will provide Cascade 30 days' advance notice of any proposed changes to the Full or Partial Requirements Customer Commodity Charges. For months that include a rate change, the charge shall be prorated in accordance with the effective date of the rate change.

8.9 Cascade shall pay the costs of penalties for exceeding the Cascade Block, as defined in Section 8.11 and any other costs requiring invoice by Seattle within 30 days of invoice by Seattle. Overdue balances shall bear interest at the rate of 1% per month.

8.10 Cascade shall pay the annual costs allocated to Cascade in accordance with Section 8.7 for the Base Block and 8.8 for the Supplemental Block as follows:

A. Prospective Cost Estimate for the Base Block. Seattle may conduct a cost estimating study to revise estimates of the annual costs allocable to Cascade for the Base Block

upon 120 days notice to Cascade. Cascade shall pay Seattle for the Base Block according to the estimated annual costs in such study, provided that not more than five years has elapsed from the time a study is conducted to the year in which the estimates from that study are used. Each study shall estimate the annual costs for the Base Block not less than the five following years.

B. Statement of Annual Costs. On or before October 1st of each year, Seattle shall provide Cascade with its best, non-binding estimate of the annual costs for the Base and Supplemental Blocks for the next year. On or before December 1st of each year, Seattle shall notify Cascade of Cascade's annual costs for the Base and Supplemental Blocks for the next year. For the Base Block, such annual cost shall be the sum of the prospective cost estimate determined in accordance with Section 8.10 A and the amount of excess or deficit identified in the most recent cost audit performed in accordance with Section 8.10 D. For the Supplemental Block, such annual cost shall be in accordance with Section 8.8. In the event the Full or Partial Requirements Customer Commodity Charges change during the year, Seattle will provide Cascade with an updated cost estimate for the Supplemental Block for the remainder of that year.

C. Payment Distribution. On or before the last day of each month, Cascade shall pay Seattle that portion of Cascade's annual cost for that year, calculated pursuant to Section 8.10 B for the Base Block and Section 8.8 for the Supplemental Block, according to the following schedule:

January 5%
February 5%
March 6%
April 6%
May 6%
June 12%
July 13%
August 15%
September 13%
October 7%
November 6%
December 6%

Overdue balances shall bear interest at the rate of 1% per month. In no event shall Cascade be required to pay Seattle a monthly payment during a year until at least 30 days after Seattle provides Cascade with a statement of annual costs for that year, and such payments shall not be considered overdue, until 30 days after such statement is provided to Cascade.

D. Cost Audit for the Base Block. No later than August 1 of each year, Seattle shall provide a statement of actual costs for the Base Block allocated to each cost pool and other costs and revenues received during the prior year, which statement shall be examined by an external auditor in an "agreed-procedures" engagement. In addition, Cascade may have the statement audited by an external auditor of its choice, solely at Cascade's expense. This statement shall clearly identify the amount by which payments for the Base Block made by Cascade during the prior year were in excess of, or insufficient to meet the actual costs allocable to Cascade for the Base Block for the prior year. This surplus or deficit shall earn interest at the Rate of Return on Investment, and shall be reduced in accordance with Section 8.10 B. No later than December 31 of the year following the termination of the contract, any remaining surplus or deficit balance shall be paid in cash by the Party owing the balance to the party to whom the balance is owed.

E. Payment from Gross Revenues. Cascade shall pay the Base Block and Supplemental Block charges out of its gross revenues. Except for the Transition Payments in Section 8.10 G below, Cascade's payments to Seattle pursuant to this Agreement and payments otherwise required or provided for by this Agreement shall be maintenance and operation expenses of Cascade, payable prior to and superior to any charge or lien of any revenue bond issued by Cascade that are payable from the revenues of Cascade. Cascade shall establish rates and collect fees and charges for wholesale water service sufficient to pay for the maintenance and operation of its Cascade Water System, including payments to Seattle, and the principal and interest on any and all Cascade revenue obligations that constitute a charge against the revenue of Cascade.

F. Emergency Surcharge. In the event of a catastrophe or other extraordinary condition that requires emergency expenditures to maintain a sufficient water supply, Seattle may impose an emergency surcharge proportionately on all of its retail and wholesale customers, including Cascade in order to pay for such expenditures. Any such emergency surcharge shall be presented to Cascade prior to adoption by Seattle. Seattle shall consider Cascade's comments but shall nevertheless have the full authority to adopt the charge.

G. Transition Payments. In consideration for entering into this 2nd Amended and Restated Declining Block Water Supply Agreement, Cascade will pay to Seattle, three transition payments of the following amounts and on the following schedule:

1. Payment of $5 million due on or before July 31, 2013
2. Payment of $12 million due on or before December 31, 2018
3. Payment of $5 million due on or before December 31, 2024

Seattle will consider these transition payments as revenue to offset costs in the Existing Supply Cost Pool allocated to the Full and Partial Requirements customer class under the provisions of those contracts.

8.11 A. Charges will be imposed for exceeding the Cascade Block for Annual Average Daily Demand, Peak Month Factor and Peak Season Factor limitations, based on daily averages measured according to Sections 3.9-3.11. These charges will be determined by multiplying the appropriate multiplier(s) from the following tables times the then current Full or Partial Requirements Customer Commodity Charge(s) for the period(s) in which the exceedance occurred, the result multiplied by the full amount of the exceedance over the applicable limit (in MGD) and then multiplied by the actual number of days in the calendar year, 30 days for Peak Month or 122 days for Peak Season, whichever is applicable.

For the first instance in any five-year period, the following multipliers will apply:

	Multipliers for Charges for Water in Excess of Annual Average Daily Demand, Peak Season and Peak Month Block Limitations - First Instance in 5-Year Period			
Category	**0 to 1 MGD**	**>1 to 2 MGD**	**>2 to 3 MGD**	**>3 MGD**
ADD	1.0	1.0	1.1	1.2
Month	1.0	1.0	9.1	16.7
Season	1.0	1.0	3.1	4.7

The multipliers for the first 2 MGD in the table above reflect a buffer before penalty charges begin. Cascade agrees not to plan or rely on this buffer as available firm supply.

B. For any additional instances of water in excess of the average annual and peak supply limitations in any five-year period, the following multipliers will apply.

	Multipliers for Charges for Water in Excess of Annual Average Daily Demand, Peak Season and Peak Month Block Limitations - Additional Instances in 5-Year Period			
Category	**0 to 1 MGD**	**>1 to 2 MGD**	**>2 to 3 MGD**	**>3 MGD**
ADD	1.0	1.1	1.1	1.2
Month	1.5	9.1	9.1	16.7
Season	1.5	3.1	3.1	4.7

C. In the event of a charge for exceeding the block occurs in more than one category in either a single year or in multiple years during any consecutive five-year period, only the category that results in the highest charge will be assessed.

8.12 Except in the case of an emergency, the provisions of Section 8.11 shall be applied reciprocally to Seattle to calculate credits to Cascade, should Seattle fail to deliver the Cascade Block as required by this Agreement.

ARTICLE IX - ADMINISTRATION

9.1 Seattle shall own and maintain appropriate metering devices to measure the water flowing from the Seattle Water System to each Point of Delivery. At Cascade's request and sole expense, Seattle will install and maintain equipment selected by Cascade and approved by Seattle to transmit signals to recording equipment of Cascade or its Members (located elsewhere) of the amount of water delivered, as measured by Seattle's meters.

9.2 Seattle shall keep full and complete books of accounts for the Seattle Water System and Seattle's retail distribution system in compliance with current standards required by the State Auditor. Cascade, at its own expense, may at any time audit Seattle's book of accounts using the services of a public accounting firm and Seattle shall make the books and records of the Seattle Water System and Seattle's retail distribution system available to such auditors during reasonable business hours upon reasonable notice at the place where such records are normally kept. Seattle shall provide adequate facilities; i.e., room and workspace, so the audit can be performed. Seattle shall have reciprocal rights to audit Cascade books and accounts.

9.3 This Agreement shall be interpreted according to the laws of the State of Washington and the venue for any litigation between the Parties concerning its terms shall be in the Superior Court of King County at Seattle. The Parties shall be entitled to specific performance of the terms of this Agreement.

9.4 This Agreement shall inure to the benefit of and be binding upon successors of interest and assigns of the Parties. Neither this Agreement nor obligations to perform hereunder may be voluntarily assigned by either Party without the other Party's written consent, which shall not be unreasonably withheld; provided however, that a change in Cascade's corporate form to another form of organization authorized by Washington law, shall not be considered an assignment. Seattle may not convey the Seattle Water System in its entirety or any of its component parts used to meet the obligations of this Agreement without providing for an assumption of this Agreement and the obligations contained herein by the conveyee. The Parties do not intend to confer rights or benefits upon any third party. Only a writing executed by the Parties may modify this Agreement.

9.5 All notices relating to this Agreement shall be sent to the following addresses, certified mail, return receipt requested, unless the other Party is previously notified in writing of a change in recipient or address:

To Seattle:	To Cascade:
Director	Chief Executive Officer
Seattle Public Utilities	Cascade Water Alliance

700 Fifth Avenue, 49th Fl.
Seattle, WA 98104

520 112th Avenue NE, Suite 400
Bellevue, WA 98004

9.6 If any provision of this Agreement or its application is determined by a court of law to be illegal, invalid, or void without rendering performance of this Agreement impossible or infeasible, then the Parties intend that the validity of the remaining provisions of this Agreement or their application shall not be affected and shall continue in full force and effect.

9.7 This Agreement is a contract for the purchase and sale of water and transmission services related to that water and no provision hereof shall be construed to make the Parties partners or joint ventures. Neither Party is the agent of the other nor shall either Party be held liable for the acts of the other on a theory of agency or any other representative capacity.

9.8 In the event of default of any provision of this Agreement, the non-defaulting Party shall issue written notice to the other Party setting forth the nature of the default. If the default is for a monetary payment due hereunder, the defaulting Party shall have thirty (30) days to cure the default. In the event of other defaults, the defaulting Party shall use its best efforts to cure the default within ninety (90) days. If such default cannot be reasonably cured within such ninety (90) day period, the defaulting party shall, upon written request prior to the expiration of the ninety (90) day period be granted an additional sixty (60) days to cure the default.

9.9 In the event of a default in payment by Cascade, Seattle shall have the right to compensation from the constituent Cascade Members up to the proportionate share of each Member's use of the Cascade Block which shall be established by the most recent annual report of Cascade Member's proportionate use of the Cascade Block, which proportionate use shall total 100 percent of the Cascade Block. Cascade's annual proportionate use report shall be completed and delivered to Seattle no later than March 31 of each year. Each Cascade Member must acknowledge and accept this individual, contingent liability to Seattle in writing at the time that Cascade enters into this Agreement. Cascade shall require those agencies that later join Cascade as a Cascade Member to convey such written acknowledgment and acceptance to Seattle within one month of joining Cascade. Without waiving any other remedies available under this Agreement or applicable law, should any Cascade Member required to do so fail to convey such written acknowledgement and acceptance, Seattle shall have the unilateral right, upon written notice to Cascade, to reduce the Cascade Block by the amount allocated to such Cascade Member as set by Cascade's most recent annual proportionate use report, until such written acknowledgement and acceptance is provided to Seattle.

ARTICLE X - TECHNICAL COMMITTEE

Technical Committees comprising of Seattle staff and other affected parties will address day to day operational issues related to the Seattle Water System. Finance cost and rate issues will be

addressed independently between the Director of Seattle Public Utilities and the CEO of Cascade Water Alliance, or their respective designees as provided for in written notice to the other. It is recognized that daily operation of the Seattle Water System and implementation of this Agreement may require direct communication and coordination between Seattle staff and the staff of Cascade or Cascade Members and accommodation of Cascade's insurers with respect to claims. The Parties may establish any desired communication or coordination and claim protocols by Management Agreement.

ARTICLE XI - DISPUTE RESOLUTION

11.1 Cascade and Seattle shall make good faith efforts to resolve by informal discussion any dispute arising under or in connection with this Agreement. If at any time a Party to a dispute determines that such informal discussions will not result in a resolution, such Party may initiate non-binding mediation of any dispute arising under or in connection with this Agreement. Within ten (10) days of receiving written notice of initiation of non-binding mediation by one or both Parties, each Party shall designate in writing not more than five (5) candidates it proposes to act as a non-binding mediator. The Parties shall within an additional five (5) days select one of the mediators from either list to serve as mediator. Should the Parties be unable to agree upon a mediator, a mediator shall be chosen from one of the two lists by the presiding judge of the King County Superior Court at Seattle. Upon selection of the mediator, the Parties shall use reasonable efforts to resolve the dispute within thirty (30) days with the assistance of the mediator. The cost of mediation shall be shared by Cascade and Seattle equally.

11.2 If mediation fails to resolve the dispute within thirty (30) days of selection of the mediator, the Parties may thereafter seek redress in court.

11.3 Pending the decision in any mediation or litigation process pursuant to this section, the Parties to such process shall continue to fulfill their respective duties under this Agreement.

ARTICLE XII - UNFORESEEN AND UNAVOIDABLE EVENTS

12.1 The Parties recognize that unforeseen and unavoidable events may occur which would require Seattle to act unilaterally for what it deems to be in the best interest of the general public served by the Seattle Water System; including water shortages resulting from drought circumstances and temporary reduction in water supply associated with turbidity events. Upon the occurrence of an unforeseen or unavoidable event, Seattle shall, to the extent practicable, treat its wholesale and retail customers equally and any curtailment of supply shall be imposed proportionately among those customers. This authority to act unilaterally carries with it a unilateral responsibility of Seattle to restore, expeditiously, the Seattle Water System to its pre-emergency capability to supply the region.

12.2 Upon occurrence of an unforeseen or unavoidable event that adversely impacts the Cascade Water System, Cascade may request Seattle to temporarily modify or suspend operational or supply provisions of this Agreement and Seattle shall make reasonable efforts to grant such request. Cascade will act expeditiously to restore the Cascade Water System to its pre-emergency capability.

12.3 The time periods for Seattle's performance under any provisions of this Agreement shall be extended for a reasonable period of time during which Seattle's performance is prevented, in good faith, due to fire, flood, drought, turbidity events, earthquake, lockouts, strikes, embargoes, acts of God, war and civil disobedience. If this provision is invoked, Seattle agrees to immediately take all reasonable steps to alleviate, cure, minimize or avoid the cause preventing such performance.

ARTICLE XIII - EXHIBITS

Exhibits I through VII are attached hereto and are hereby incorporated by reference into the Agreement as if set forth in full herein.

ARTICLE XIV - COMPLETE AGREEMENT

This Agreement, as amended and restated herein, represents the entire agreement between the Parties concerning the subject matter hereof and will supercede Amended and Restated 50-Year Declining Block Water Supply Agreement between the City of Seattle and the Cascade Water Alliance, dated December 17, 2008 upon the effective date noted herein. This Agreement may not be amended except as provided in Section 9.4.

THE CITY OF SEATTLE, a municipal corporation:

By: Ray Hoffman DATE: 7/15/13
DIRECTOR, SEATTLE PUBLIC UTILITIES

THE CASCADE WATER ALLIANCE, a joint municipal utility services authority:

BY: Chuck Clarke DATE: 7/12/13
CHIEF EXECUTIVE OFFICER

EXHIBIT I

Other Agreements

A. List of documents, commitments, adjustments, reductions, agreements, and/or written approvals by Seattle regarding the supply, purchase and/or resale of water according to Section 4.4 of this Agreement:

1. Interties and associated agreements with other agencies as referenced in Section 4.4:

   a) Redmond/Union Hill Water Association Water Service Agreement
   b) Redmond/Union Hill Water Association Agreement for Water System Interties
   c) Redmond/Woodinville Water District Interlocal Agreement
   d) Redmond/Woodinville Water District Agreement for Water System Interties
   e) Redmond/Northeast Sammamish Water & Sewer District Agreement for Water System Interties
   f) Skyway / WD 125
   g) Bellevue/Coal Creek

2. Other pertinent Agreements:

   a. List of electric contracts for pump stations owned and operated by Cascade Members and connected to the Tolt Eastside Supply Line according to Section 8.6.B.3 of this Agreement:

      1. Between the City of Bellevue and the City of Seattle, effective August 1983, pursuant to Ordinance #111276 for SE 28th pumping station (50% / 50%) and N.E. 8th pumping station (Bellevue 60% / Seattle 40%)

CASCADE POINTS OF DELIVERY, MINIMUM HYDRAULIC GRADIENTS, AND MAXIMUM FLOW RATES OF WATER SUPPLIED

METER SERVICE				MINIMUM HYDRAULIC GRADIENT AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)
LOCATION	STATION NUMBER [1]	PIPELINE SEGMENT NUMBER[1]	SIZE OF METER (IN.)		
Bellevue (* Redmond)					
132nd Ave. SE & SE 26th Street	59	8	8	425	1,300
128th Ave. SE & Newport Way	56	8	8	435	850
Mercer Is. Pipeline & 108th Ave. SE	66	9	8	420	700
140th Ave. NE & 40th Street	65	2	10	500	3,500
132nd Ave. NE & NE 14th St.	62	2	12	470	4,500
132nd Ave. NE & NE 24th Street	63	2	10	455	4,500
152nd Ave. NE & NE 8th Street	61	2	24	460	3,500
145th Pl. SE & SE 28th Street	58	3	12	470	3,000
14509 SE Newport Way [2]	60	3	10	525	4,600
14509 SE Newport Way [6][7]	TBD	3	10	525	2,900
128th Ave SE & SE 56th ST [3]	47	8	8	440	Backup to Sta. 55 [5]
128th Ave SE & Newport Way [3]	55	8	6	435	800
120th Ave SE & SE 35th ST [3]	46	9	6	425	Backup to Sta. 124 [5]
I-90 & Lake Washington Boulevard [3]	50	9	6	425	Fire flow backup only

124th Ave SE & SE 38 PL [3]	124	9	8	425	1,500
128th Ave SE & SE 70th ST [4]	52	8	12	445	1,020
METER SERVICE				**MINIMUM HYDRAULIC GRADIENT AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)**	**FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)**
LOCATION	**STATION NUMBER (1)**	**PIPELINE SEGMENT NUMBER(1)**	**SIZE OF METER (IN.)**		
Kirkland / Redmond 132nd Ave. NE & NE 113th Street	74	1	10	555	4,500
132nd Ave. NE & NE 85th Street	75	1	16	535	4,080
140th Ave. NE & NE 70th Street	72	2	12	520	1,240
Redmond 160th Ave NE & NE 104th Street	165	28	10	515	1,000 (combined with following planned new location)
NE 172nd Street & Tolt Pipeline No. 2	TBD	28	TBD	515	planned new location
Trilogy Parkway NE & NE 125 Street	164	26	10	610	2,000 (combined with following planned additional meter)
Trilogy Parkway NE & NE 125 Street	TBD	26	10	610	Planned additional meter
Skyway 84th Ave. S & S 134th Street	1	10	6	455	210
Beacon Ave S & S 124th Street	5	10	8	455	720
Cornell Ave S & S 112th Street	172	4	6	375	Backup service
Tukwila 39th Ave S & S 112 Street	11	15	10	460	Backup service

South Center Parkway & Tukwila Parkway	13	13	10	460	2,200
West Valley Hwy & S 162nd Street	14	13	8	460	Backup emergency service
Christensen Rd. & Baker Rd	15	13	8	460	480
METER SERVICE				**MINIMUM HYDRAULIC GRADIENT AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)**	**FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)**
LOCATION	**STATION NUMBER (1)**	**PIPELINE SEGMENT NUMBER(1)**	**SIZE OF METER (IN.)**		
53rd Ave S & S 160th Street	16	13	6	460	20
E Marginal Way & S 112th Street	168	15	12	445	810
51st Ave S & S Leo Street	169	12	8	455	60
W. Marginal Place & s 102nd St.	170	5	12	300	80
47th Ave S & S Victor Street	173	12	6	425	Backup service
				TOTAL:	**50,070**

Notes:

(1) Station and Pipeline Segment Numbers pertain to the Demand Metering program.

(2) Assumes existing 16-inch sonic meter is replaced with a 10-inch Protectus meter as planned.

(3) These stations to be fully transferred from Coal Creek Utility District to Bellevue.

(4) This station supplies to Coal Creek Utility District directly. Assumes Coal Creek sub-meters 40 percent of total flow (average, peak) through this station to Bellevue.

(5) Maximum combined flow of primary and backup stations shall not exceed the flow for the primary station as shown on this Exhibit.

(6) Assumes a new 10-inch Protectus meter is installed as planned.

(7) If another supply source of equal or higher capacity is provided into the Issaquah - Sammamish Plateau area by any party other than Seattle to serve Cascade members, Seattle's supply obligation at this station will terminate. Seattle's delivery obligation at this station is not transferable to any other station.

Block Allocations of Water by Individual SPU Wholesale Water Customers

Water Utility	Annual Block (110%)	Peak Season Factor	Peak Season Block	Peak Month Factor	Peak Month Block
Bothell	1.77	1.35	2.39	1.69	2.99
Cedar River	3.05	1.35	4.11	1.69	5.15
Coal Creek	1.02	1.35	1.38	1.69	1.73
Duvall	0.73	1.35	0.98	1.69	1.23
Edmonds	0.00	1.35	0.00	1.69	0.00
Highline	6.02	1.35	8.12	1.69	10.17
Mercer Island	2.24	1.35	3.03	1.69	3.79
Northshore	6.36	1.35	8.58	1.69	10.75
Olympic View	0.56	1.35	0.76	1.69	0.95
Shoreline WD	1.96	1.35	2.64	1.69	3.31
Soos Creek	5.03	1.35	6.79	1.69	8.50
Woodinville	5.01	1.35	6.76	1.69	8.46
WD 20	2.60	1.35	3.50	1.69	4.39
WD 45	0.33	1.35	0.45	1.69	0.56
WD 49	1.39	1.35	1.87	1.69	2.34
WD 85	0.00	1.35	0.00	1.69	0.00
WD 90	0.91	1.35	1.23	1.69	1.54
WD 119	0.46	1.35	0.62	1.69	0.78
WD 125	2.15	1.35	2.90	1.69	3.63
Existing Purveyor Totals	**41.57**		**56.12**		**70.25**

EXHIBIT IV

Seattle Supply System Facilities

1. **Cedar Source**
   - All roads, buildings, structures, water supply facilities, recreational and educational facilities, and fisheries enhancement and mitigation facilities located within or close to the Cedar River Hydrographic Watershed boundary as defined by Seattle land ownership, including the land itself, and any capitalized studies related to the above. Excepted are facilities solely owned by Seattle City Light for the purpose of power generation. Facilities shared by Seattle City Light and Seattle Public Utilities shall be part of the Seattle Supply System only to the extent of SPU share or responsibility.
   - All facilities located within the Lake Youngs Reservation as defined by Seattle ownership of the land except for conveyance facilities used to transport finished water during non-emergency operation
   - All facilities located within the Lake Youngs Aqueduct, the Landsburg Tunnel, and the Lake Youngs Supply Lines right-of-way, including the right-of-way itself
   - Existing Morse Lake Floating Pump Stations

2. **Tolt Source**
   - All roads, buildings, structures, water supply facilities, recreational and educational facilities, and fisheries enhancement and mitigation facilities located within or close to the South Fork Tolt River Hydrographic Watershed boundary as defined by Seattle land ownership, including the land itself, and any capitalized studies related to the above. Excepted are facilities solely owned by Seattle City Light for the purpose of power generation. Facilities shared by Seattle City Light and Seattle Public Utilities shall be part of the Seattle Supply System only to the extent of SPU share or responsibility.
   - Tolt Treatment Facility

3. **Seattle Wellfields**
   - Riverton Wells, including all pumping and treatment equipment, original yard piping, to the connection to CRPL4, and the low flow piping to Riverton Reservoir
   - Boulevard Well, including all pumping and treatment equipment, and all piping up to the connection to CRPL4

4. **Other**
   - One Percent Conservation Program through December 31, 2003
   - Commercial Incentive Program through December 31, 2003
   - Commercial Toilet Retrofit Program through December 31, 2003
   - Showerhead retrofit Program through December 31, 2003
   - The Seattle Forecasting Model (SEAFM Model)
   - GIS Projects related to facilities identified herein as part of the Seattle Supply System

EXHIBIT V

Seattle Transmission System Facilities

1. Pipelines

- Tolt Pipeline No. 1 from the outlet of the Tolt Treatment Facility (TTF) to Lake Forest Reservoir, including any transfer and ancillary small diameter parallel pipes *(Note: Includes TPL1 and TPL2 between the Reg. Basin and TTF in Supply!)*
- Tolt Pipeline No. 2 (where constructed), including any transfer and ancillary small diameter parallel pipes
- Tolt Tieline
- Tolt Eastside Supply Line (from TESS Junction to the intersection of SE 16th ST and 145th Place SE)
- Tolt Eastside Line Extension (from the intersection of SE 16th ST and 145th Place SE to Eastside Reservoir)
- The 540 head Pipeline from Maple Leaf Reservoir to Lake Forest Reservoir
- Lake Youngs Bypass No. 4 from the outlet of each of the Cedar Treatment Facility clearwells to Control Works
- Lake Youngs Bypass No. 5 from the outlet of each of the Cedar Treatment Facility clearwells to the Lake Youngs Tunnel
- The Lake Youngs Tunnel (from the original lake outlet to Control Works)
- The Maple Leaf Pipeline (from the intersection of 18th Avenue E. and E. Prospect Street to Maple Leaf Reservoir)
- Cedar River Pipeline No. 1 from Control Works to the intersection of 18th Avenue E. and E. Prospect Street
- Cedar River Pipeline No. 2 from Control Works to the intersection of 12th Avenue E. and E. Olive Street
- Cedar River Pipeline No. 3 from Control Works to the intersection of 18th Avenue E. and E. Prospect Street
- 30" intertie between Cedar River Pipelines 2 and 3 in east Olive Street
- Cedar River Pipeline No. 4 from Control Works to the West Seattle Pipeline
- Cedar Eastside Supply Line (from the Cedar Wye to the intersection of SE 16th St and 145th Place SE)
- West Seattle Pipeline from Augusta Gatehouse to Cedar River Pipeline 4
- The 8th Avenue S. Pipeline between S. 146th Street and S. 160th Street
- The Bow Lake Pipeline (between 8th Avenue S. and CRPL 4, and as relocated outside runways at Seatac Airport)
- The Burien Feeder (in S. 146th Street between 8th Avenue S. and CRPL 4)
- The Fairwood Line (between Fairwood Pump Station and Soos Reservoirs)
- The 24-inch discharge pipeline of Lake Youngs Pump Station up to Soos Reservoirs
- The 12-inch discharge pipeline of Lake Youngs Pump Station up to Soos Reservoirs
- The 630 head pipeline between Lake Youngs Pump Station and the Cedar River WSD pump station at the eastern boundary of the Lake Youngs Reservation

2. Reservoirs, Tanks, and Standpipes, including overflow pipes, all valves, appurtenances, and disinfection facility located on the premises of each storage facility, unless otherwise noted

- Lake Forest Reservoir
- Eastside Reservoir
- Riverton Reservoir
- Maple Leaf Reservoir (excluding Roosevelt Way Pump Station and its suction and discharge piping, Maple Leaf Tank and 520 zone piping, except where solely serving the disinfection facility)
- Soos Reservoirs

3. Pump Stations, Major Valve Structures, and other Facilities

- TESS Junction Pump Station
- Lake Hills Pump Station
- Maplewood Pump Station
- Maple Leaf Pump Station
- Bothell Way Pump Station
- Fairwood Pump Station
- Lake Youngs Pump Station
- The Control Works
- Augusta Gatehouse
- Eastgate Pump Station

4. Certain costs related to Cascade Points of Delivery

Cascade Points of Delivery are generally not considered part of the Existing Transmission System Facilities, however, certain costs may be included in the Existing Transmission Cost Pool as follows:

- The costs of existing meters, vaults and related equipment at all Cascade Points of Delivery installed prior to 2004 to the extent those costs were unamortized as of December 31, 2003.
- Any costs related to Cascade Points of Delivery that are included in the Existing Transmission Cost Pool in accordance with the Agreement.

The facilities include the appurtenances to the transmission lines including but not limited to rights of way, line valves, system meters and remote automation devices.

EXHIBIT VI

Cost Centers Used for Operations Cost Indices

The following costs centers or successor cost centers that capture the direct costs of operation of Existing Supply Facilities, Existing Transmission Facilities and the Regional Conservation Program shall be used as the indices for operations cost in the Existing Supply Cost Pool, Existing Transmission Cost Pool and for the Regional Conservation Program in the New Supply Cost Pool.

Supply

Program	Project	Project Name	Activity
Communications	N1203	Communications Activity Group	N120304 Purveyor Relations
Audit & Accounting	N3303	Customer Audit	N330303 Purveyor Audit
Watershed Management	N5401	Program Management	N540194 Department Support
Watershed Management	N5401	Program Management	N540195 General Expense
Watershed Management	N5401	Program Management	N540196 General Management
Watershed Management	N5401	Program Management	N540197 Training
Watershed Management	N5401	Program Management	N540198 Safety
Watershed Management	N5401	Program Management	N540199 Personnel
Watershed Management	N5401	Program Management	N540289 Capital Purchase
Watershed Management	N5403	Support Services	N540301 Modified Duty
Watershed Management	N5403	Support Services	N540302 Procuring/Paying/Receiving
Watershed Management	N5403	Support Services	N540303 Vehicle Equipment Downtime
Watershed Management	N5404	Watershed Protection	N540401 Hydrological Data Collection
Watershed Management	N5404	Watershed Protection	N540402 Fire Protection
Watershed Management	N5404	Watershed Protection	N540403 Inspection
Watershed Management	N5404	Watershed Protection	N540404 Boundaries
Watershed Management	N5405	Facility Management	N540501 WS Grounds
Watershed Management	N5405	Facility Management	N540502 WS Buildings
Watershed Management	N5405	Facility Management	N540503 WS Facilities & Roads
Watershed Management	N5406	Watershed Road Maintenance	N540601 Grade/Gravel/Ditching
Watershed Management	N5406	Watershed Road Maintenance	N540602 Bridges/Streams Culvert
Watershed Management	N5406	Watershed Road Maintenance	N540603 Roads/Row/Vegetation Cutting
Watershed Management	N5406	Watershed Road Maintenance	N540604 Tolt Roads & Streams
Watershed Management	N5407	Watershed Operations Support	N540701 Veh/Equipment Management
Watershed Management	N5407	Watershed Operations Support	N540702 Veh/Equip/Tool Repair
Watershed Management	N5408	Water Quality & Hydrology	N540801 Water Quality Monitoring
Watershed Management	N5408	Water Quality & Hydrology	N540802 Hydrological Monitoring
Watershed Management	N5409	Public/Cultural Programs	N540901 Recreation Planning
Watershed Management	N5409	Public/Cultural Programs	N540902 Management & Research
Watershed Management	N5409	Public/Cultural Programs	N540903 Watershed Education
Watershed Management	N5409	Public/Cultural Programs	N540904 Watershed Public Information
Watershed Management	N5410	Wildlife & Fisheries Programs	N541001 Program Planning & Evaluation
Watershed Management	N5410	Wildlife & Fisheries Programs	N541002 Interagency/Public Involvement
Watershed Management	N5410	Wildlife & Fisheries Programs	N541003 Ecological Monitoring & Research
Watershed Management	N5410	Wildlife & Fisheries Programs	N541004 Habitat & Species Inventory
Watershed Management	N5410	Wildlife & Fisheries Programs	N541005 Habitat Enhancement/Restoration
Watershed Management	N5411	Resource Information Mgmt	N541101 Program Plan/Evaluation
Watershed Management	N5411	Resource Information Mgmt	N541102 Information Maintenance

Watershed Management	N5411	Resource Information Mgmt	N541103 Information Services
Watershed Management	N5412	Special Projects	N541202 Silviculture
Watershed Management	N5412	Special Projects	N541205 Land Exchanges/Acquisitions
Program	**Project**	**Project Name**	**Activity**
Watershed Management	N5415	Cedar HCP	N541501 ASSESS OF EXPAND FOREST STAND
Watershed Management	N5415	Cedar HCP	N541502 ASSESS EXPAND FOREST ATTRIBUTE
Watershed Management	N5415	Cedar HCP	N541503 AUGMENT FOREST HABITAT INV
Watershed Management	N5415	Cedar HCP	N541504 LONG-TERM FOREST HABITAT
Watershed Management	N5415	Cedar HCP	N541505 OLD-GROWTH CLASSIFICATION
Watershed Management	N5415	Cedar HCP	N541506 RIPARIAN RESTOR PROJECT MONIT
Watershed Management	N5415	Cedar HCP	N541507 UP0LAND FOREST RESTOR PROJ MONT
Watershed Management	N5415	Cedar HCP	N541515 GIS DATA COMPATIBILITY STUDY
Watershed Management	N5415	Cedar HCP	N541516 FOREST HABITAT MODELING
Watershed Management	N5415	Cedar HCP	N541517 SPECIE HABITAT RELATION MODEL
Watershed Management	N5416	Cedar HCP	N541601 CRHCP GIS SUPPORT
Watershed Management	N5416	Cedar HCP	N541603 CRHCP TECHNICAL SUPPORT
Watershed Management	N5417	Cedar HCP	N541701 ROAD MAINTENANCE
Watershed Management	N5418	Cedar HCP	N541801 EXPERIMENTAL STREAM MONITORING
Watershed Management	N5418	Cedar HCP	N541802 LONG-TERM STREAM MONITORING
Watershed Management	N5418	Cedar HCP	N541803 AQUATIC RESTORATION MONITORING
Watershed Management	N5418	Cedar HCP	N541804 BULL TROUT SURVEYS (ADULT)
Watershed Management	N5418	Cedar HCP	N541805 BULL TROUT SPAWNING SURVEY
Watershed Management	N5418	Cedar HCP	N541806 BULL TROUT FRY/JUVENILE SURVEY
Watershed Management	N5418	Cedar HCP	Riparian Zone Studies
Watershed Management	N5418	Cedar HCP	N541809 BULL TROUT STREAM DISTRIBUTION
Watershed Management	N5418	Cedar HCP	N541810 BULL TROUT REDD INUNDATION STU
Watershed Management	N5418	Cedar HCP	N541811 COMMON LOON MONITORING
Water Quality & Supply	N5503	Water System Operations	N550301 Water Management
Water Quality & Supply	N5503	Water System Operations	N550302 Water System Control
Water Quality & Supply	N5503	Water System Operations	N550303 Anadromous Fishery Mgmt
Water Quality & Supply	N5503	Water System Operations	N550304 SCADA Management
Water Quality & Supply	N5503	Water System Operations	N550305 Highline Well Field
Water Quality & Supply	N5503	Water System Operations	N550306 Morse Lake PS
Water Quality & Supply	N5503	Water System Operations	N550307-SAFETY PROCESS MGMT COMPLIANCE
Water Quality & Supply	N5503	Water System Operations	N550308-EPA RISK MGMT COMPLIANCE
Water Quality & Supply	N5504	Water System Analysis	N550401 Eng Analysis/Modeling
Water Quality & Supply	N5504	Water System Analysis	N550402 Water Rights Mgmt

Program	Project	Project Name	Activity
Water Quality & Supply	N5504	Water System Analysis	N550403 DEMAND METERING
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550501 Monitoring, Reporting & Admin
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550502 Cholrination Facilities O&M
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550503 Watershed Management
Water Quality & Supply	N5506	Total Coliform Rule Compl.	N550601 Monitoring, Reporting & Admin
Water Quality & Supply	N5508	Lead & Copper Rule Compl.	N550801 Monitoring, Reporting & Admin
Water Quality & Supply	N5508	Lead & Copper Rule Compl.	N550802 Corrosion Trtmnt Facil O&M
Water Quality & Supply	N5509	Fluoridation Program	N550901 Fluoridation Program O&M
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551001 Otr Reg/Operational Analysis
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551002 Disinfection By-Product Rule
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551003 Limnology
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551005 WQ Lab
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551006 DW Reg Dev & App Research
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551007 Public Information/Notification
Water Quality & Supply	N5511	Special Projects	N551104 LIMS & QA/QC
Water Quality & Supply	N5512	Cedar HCP	N551201 INTERIM CHINOOK COHO
Water Quality & Supply	N5513	Cedar HCP	N551301 HCP STREAMFLOW GAUGING
Water Quality & Supply	N5513	Cedar HCP	N551302 SWITCHING CRITERIA STUDY
Water Quality & Supply	N5513	Cedar HCP	N551303 STEELHEAD REDD MONITORING
Water Quality & Supply	N5513	Cedar HCP	N551304 CHINOOK STUDIES
Water Quality & Supply	N5513	Cedar HCP	Salmonid Studies
Water Quality & Supply	N5514	WQ Monitoring	N551403 DRINKING WATER QUALITY MONITOR
Water Quality & Supply	N5515	HCP Fisheries	N551501 FRY CONDITION AT RELEASE
Water Quality & Supply	N5515	HCP Fisheries	N551502 FRY MARKING & EVALUATION
Water Quality & Supply	N5515	HCP Fisheries	N551503 FRY TRAPPING & COUNTING
Water Quality & Supply	N5515	HCP Fisheries	N551504 FISH HEALTH
Water Quality & Supply	N5515	HCP Fisheries	N551505 SHORT-TERM FRY REARING
Water Quality & Supply	N5515	HCP Fisheries	N551506 LAKE WASHINGTON PLANKTON STUDY
Water Quality & Supply	N5515	HCP Fisheries	N551508 ADULT SURVIVAL DISTRIBUTION
Water Quality & Supply	N5515	HCP Fisheries	N551509 PHENOTYPIC & GENETIC STUDY
Water Quality & Supply	N5516	Tolt DBO	N551601-CONTRACTOR PAYMENTS
Water Quality & Supply	N5516	Tolt DBO	N551603-MANAGEMENT COSTS
Resource Planning	N5609	Water Resource & Habitat Issues	N560903-ESA

Transmission

Program	Project	Project Name	Activity
Water Operation	N6540	WT - Headwork/Storage	N654001 Program Maintenance
Water Operation	N6540	WT - Headwork/Storage	N654002 Event Driven Repairs
Water Operation	N6541	WT - Transmission Pipeline Maint	N654101 Program Maintenance
Water Operation	N6541	WT - Transmission Pipeline Maint	N654102 Event Driven Repairs
Water Operation	N6542	WT - Value Op/Maint - Water Tran	N654201 Program Maintenance
Water Operation	N6542	WT - Value Op/Maint - Water Tran	N654202 Event Driven Repairs
Water Operation	N6543	WT - Grounds/Roads/ROW	N654301 Grade/gravel roads - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654302 Grade/gravel roads - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654303 Bridges/culverts - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654304 Bridges/culverts - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654305 Fences/gates - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654306 Fences/gates - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654307 Mow ROW - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654308 Mow ROW - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654309 Mow Other
Water Operation	N6544	WT - Facility Maintenance	N654401 Program Maintenance
Water Operation	N6544	WT - Facility Maintenance	N654402 Event Driven Repairs
Water Operation	N6545	WT - Castings	N654501 Casting Adjustments
Water Operation	N6546	WT - Customer Services	N654601 Communications/Dispatch
Water Operation	N6546	WT - Customer Services	N654602 Locating/Marking
Water Operation	N6547	WT - Damage by Others	N654701 P/L/ROW/Facility
Water Operation	N6548	WT - Transmission Shops	N654801 Shops/Fabrication
Water Operation	N6549	WT - General Expenses	N654905 Tools/small equipment
Water Operation	N6549	WT - General Expenses	N654906 Standy
Water Operation	N6549	WT - General Expenses	N654907 Truck Inventory
Water Operation	N6549	WT - General Expenses	N654908 Downtime - Job Related
Water Operation	N6549	WT - General Expenses	N654909-DISASTER-EMERG RESPONSE

1% Program

Program	Project	Project Name	Activity
Community Services	N5303	Resource Conservation	N530301 1% Conservation

EXHIBIT VII

Cascade Sub-regional System

The facilities included in this Exhibit incorporate all appurtenances including but not limited to rights of way, line valves, system meters, and remote automation devices.

A. Facilities used by Cascade:

- The NE 8th Street Feeder, from the Cedar Eastside Supply Line to the Bellevue pump station near the intersection of 151st PL NE and NE 8th Street
- The Bel-Red Road Feeder, from the Cedar Eastside Supply Line to the Cascade Point of Delivery in Bellevue at the intersection of Bel-Red Road and 132nd Ave NE
- The NE 24th Street Feeder, from the Cedar Eastside Supply Line to the Cascade Point of Delivery in Bellevue near the intersection of NE 24th Street and 132nd Ave NE

B. Other Sub-regional Transmission Facilities used in part by Cascade:

- SEGMENT 1 – Includes use by Bellevue, Coal Creek, Mercer Island, and Seattle and consists of:
  1. The portion of the of the original Mercer Island Pipeline from the tee off the Cedar Eastside Supply Line in Factoria Boulevard SE to the west flange of the main line tee at the east end of the 16-inch Mercer Slough Bridge Pipeline (30-inch).
- SEGMENT 2 – Includes use by Bellevue, Mercer Island, and Seattle and consists of:
  1. The portion of the of the original Mercer Island Pipeline from the west flange of the main line tee at the east end of the 16-inch Mercer Slough Bridge Pipeline to the west flange of the 20-inch valve west of the Enatai service to Bellevue (30-inch).
  2. The entire 16-inch Mercer Slough Bridge Pipeline (16-inch).
- SEGMENT 3 – Includes use by Tukwila and Seattle and consists of:
  1. The 20-inch pipeline in West Marginal Way from the West Seattle Pipeline to South Director Street.

Seattle may from time to time eliminate facilities from this list provided that it secures the written consent of Cascade in the event that Cascade is served by a tap or meter installation on the facility being eliminated. Seattle shall provide Cascade with 180 days prior written notice of any proposed change.

SEATTLE PUBLIC UTILITIES & CASCADE WATER ALLIANCE
MANAGEMENT AGREEMENT No. 7

REVISIONS TO EXHIBIT I

This Management Agreement No. 7 is entered into pursuant to Sections 3.6 B and 4.4 of the 2nd Amended and Restated Declining Block Water Supply Agreement between the City of Seattle ("Seattle") and the Cascade Water Alliance ("Cascade"), dated July ___, 2013 ("Agreement").

Management Agreement

1. The revised exhibit attached and incorporated herein as "Revised Exhibit I" replaces the existing Exhibit I in the Agreement in its entirety.
2. The Parties understand and agree that changes to any of the agreements listed in the Revised Exhibit 1 or new agreements involving supply, purchase or resale of water that Cascade or any Cascade Member enters into with a non-Cascade Member during the term of the Agreement should be reviewed by the Parties to determine which provision of 3.6 B applies to the situation and whether an update to the Revised Exhibit 1 by Management Agreement is necessary. The Parties also understand and agree that this will include a review of new agreements, or existing agreements that may remain in effect, between Cascade or a Cascade Member and a withdrawing Cascade Member at the time of the withdrawal in the event a current Cascade Member withdraws its membership from Cascade. Cascade agrees that it will promptly notify and provide copies of such agreements to Seattle as appropriate.
3. The Parties understand and agree that additional updates to the Revised Exhibit I may be required to address the electric contracts for pump stations included in Section 3.a of the Revised Exhibit I, which the parties will endeavor to complete by December 31, 2013.

Agreed to:

Ray Hoffman 7/15/13		Chuck Clarke 7/12/13	
Ray Hoffman, Director	Date	Chuck Clarke, CEO	Date
Seattle Public Utilities		Cascade Water Alliance	

Attachment: Revised Exhibit I, dated July 11, 2013

2. **Those agreements providing wholesale water supply to Non-Cascade Member wholesale customers as of January 31, 2013 as referenced in Section 3.6 B.2:**

   a) Bellevue to WD 1 (Yarrow Point)

      @ NE 38th & 92nd Ave NE
      @ NE 42nd & 92nd Ave NE

   b) Bellevue to KC WD 22 (Beaux Arts)[6]

      @ 108th Ave SE & SE 28th St

   c) City of Issaquah to Issaquah Highlands Community Assoc for the Grand Ridge Drive Water Utility

      @ NE Harrison Dr & Grand Ridge Dr

   d) Sammamish Plateau W&SD to Overdale Water Assoc[7]

      @ 5215 229th Ave SE near SE 52nd St

3. **Other relevant Agreements as referenced in Section 4.4:**

   a) List of electric contracts for pump stations owned and operated by Cascade Members and connected to the Tolt Eastside Supply Line according to Section 8.6 B.3 of this Agreement:

      1. Between the City of Bellevue and the City of Seattle, effective August 1983, pursuant to Ordinance #111276 for SE 28th pumping station (50% / 50%) and N.E. 8th pumping station (Bellevue 60% / Seattle 40%)

   b) Sammamish Plateau W&SD to/from Northeast Sammamish W&SD[8]

      @ 216th Ave NE & NE 17th
      @ 1910 226th Ave NE

   c) Redmond/Woodinville Water District Interlocal Agreement and 7 Amendments[9]

      1. East of 184th Ave NE
      2. Blakely Ridge (Trilogy)
      3. 177th Ave NE & 184th Ave NE
      4. 167th Ave NE & 172nd Ave NE
      5. Shadowbrook Phase II
      6. Redmond Assembly Plat
      7. East of 176th Ave NE

d) Skyway from Renton[10]

@ 80th Ave S & S 116th St

e) Interlocal Agreement Implementing the City of Bellevue's Partial Assumption of the Coal Creek Utility District[11]

@ Hazelwood Ln
@ SE 64th & Lake Washington Blvd
@ 114th Ave SE
@ 119th Ave SE
@ 123rd Ave SE
@ Newcastle & 126th Ave SE
@ Newcastle & 128th Ave SE
@ Coal Creek & SE 66th ST

Notes:

[1] No agreement exists for this intertie connection. Cascade reported as emergency intertie.
[2] See Section 5 of the Agreement for Joint Operation of Water Storage Facilities.
[3] See Section 5 of the Agreement for Joint Lease, Construction and Operation of Water Storage and Transmission Facilities, generally for wheeling.
[4] Emergency purposes includes meeting peak demand. Any agreement for use for purposes other than emergency under Section 4 of the Agreement not included here.
[5] Emergency purposes, max quantity 2.7 MGD.
[6] Cascade reported as seasonal supplemental supply.
[7] Cascade reported that by resolution, converted from emergency supply to continuous wholesale supply pending assumption of the Overdale service area expected within a year.
[8] Cascade reported as continuous supply through "zero-net exchange".
[9] Interlocal agreement establishes common service area boundary, provisions for District to supply water to Redmond for certain service areas, and to determine on case by case basis which entity will serve developments that straddle common service boundary line.
[10] See Section 4 and Exhibit B of Contract for Water Supply and Joint Storage and Transmission.
[11] See Section XIV of the Interlocal Agreement.

SEATTLE PUBLIC UTILITIES & CASCADE WATER ALLIANCE
MANAGEMENT AGREEMENT No. 9

REVISIONS TO EXHIBIT II

This Management Agreement No. 9 is entered into pursuant to Section 4.1 of the 2nd Amended and Restated Declining Block Water Supply Agreement between the City of Seattle ("Seattle") and the Cascade Water Alliance ("Cascade"), dated July 15, 2013 ("Agreement").

Management Agreement

1. The revised exhibit attached and incorporated herein as "Revised Exhibit II" replaces the existing Exhibit II in the Agreement in its entirety.

Agreed to:

Ray Hoffman, Director Seattle Public Utilities	5/24/14 Date	Chuck Clarke, CEO Cascade Water Alliance	5/27/14 Date

Attachment: Revised Exhibit II, dated March 27, 2014

Exhibit II

CASCADE POINTS OF DELIVERY[1], MINIMUM HYDRAULIC GRADIENTS, AND MAXIMUM FLOW RATES OF WATER SUPPLIED

POINT OF DELIVERY (POD)							MINIMUM HYDRAULIC GRADIENT UPSTREAM OF SEATTLE METER (FEET NAVD-88 Datum) [2]	MAXIMUM FLOW UP TO WHICH HYDRAULIC GRADIENT IS GUARANTEED UNDER THE AGREEMENT [3][4] (gpm)
SEATTLE METER LOCATION	CASCADE MEMBER OPERATING DOWNSTREAM OF POD	SEATTLE STATION NUMBER	SEATTLE PIPELINE SEGMENT NUMBER	SEATTLE METER SIZE (IN.)	CASCADE MEMBERS SERVED	SIZE OF CASCADE MEMBER METER(S), (IN.) [2]		
132nd Ave. NE & NE 113th Street	Kirkland	74	1	10"	Kirkland, Redmond	12"	555	3,540
132nd Ave. NE & NE 85th Street	Kirkland	75	1	16"	Kirkland, Redmond	None	535	4,890
140th Ave. NE & NE 70th Street	Kirkland	72	2	12"	Kirkland, Redmond	12"	520	1,430
140th Ave. NE & 40th Street	Bellevue	65	2	10"	Bellevue, Redmond	18"	500	3,800
132nd Ave. NE & Bel-Red Road	Bellevue	62	2	12"	Bellevue	12"	470	4,200
132nd Ave. NE & NE 24th Street	Bellevue	63	2	10"	Bellevue	12"/8" [5]	455	3,900
152nd Ave. NE & NE 8th Street	Bellevue	61	2	24"	Bellevue, Redmond	16"	460	3,000
145th Pl. SE & SE 28th Street	Bellevue	58	3	12"	Bellevue	16"	470	2,700
14509 SE Newport Way	Bellevue	60	3	10"	Bellevue, Issaquah	12"	525	2,300
14509 SE Newport Way	Bellevue	182	3	10"	Bellevue, Issaquah, Sammamish Plateau	12"/8"/8" [6]	525	5,810
132nd Ave SE & SE 26th ST	Bellevue	59	8	8"	Bellevue	8"	425	1,300
128th Ave. SE & Newport Way	Bellevue	56	8	8"	Bellevue	8"	435	800
128th Ave SE & SE 56th ST	Bellevue	47	8	8"	Bellevue	6"	440	Backup service
128th Ave SE & Newport Way	Bellevue	55	8	6"	Bellevue	6"	435	625
128th Ave SE & SE 70th ST	N/A	52	8	12"	Bellevue		445	1700 [7]

POINT OF DELIVERY (POD)							MINIMUM HYDRAULIC GRADIENT UPSTREAM OF SEATTLE METER (FEET NAVD-88 Datum) [2]	MAXIMUM FLOW UP TO WHICH HYDRAULIC GRADIENT IS GUARANTEED UNDER THE AGREEMENT [3] [4] (gpm)
SEATTLE METER LOCATION	CASCADE MEMBER OPERATING DOWNSTREAM OF POD	SEATTLE STATION NUMBER	SEATTLE PIPELINE SEGMENT NUMBER	SEATTLE METER SIZE (IN.)	CASCADE MEMBERS SERVED	SIZE OF CASCADE MEMBER METER(S), (IN.) [2]		
Mercer Is. Pipeline & 108th Ave. SE	Bellevue	66	9	8"	Bellevue	8"	420	800
124th Ave SE & SE 38 PL	Bellevue	124	9	8"	Bellevue	8"	425	1,400
Cornell Ave S & S 112th Street	Skyway	172	4	6"	Skyway	None	375	Backup service [8]
84th Ave. S & S 134th Street	Skyway	1	10	8"	Skyway	None	455	210
Beacon Ave S & S 124th Street	Skyway	5	10	8"	Skyway	8"	455	720
W Marginal Place & S 102nd ST	Tukwila	170	5	12"	Tukwila	12"	300	300
51st Ave S & S Leo Street	Tukwila	169	12	8"	Tukwila	8"	455	70
47th Ave S & S Victor Street	Tukwila	173	12	6"	Tukwila	6"	425	Backup service
South Center Parkway & Tukwila Parkway	Tukwila	13	13	10"	Tukwila	10"	460	800
West Valley Hwy & S 162nd Street	Tukwila	14	13	8"	Tukwila	8"	460	Backup service
Christensen Rd. & Baker Rd	Tukwila	15	13	8"	Tukwila	10"	460	840
53rd Ave S & S 160th Street	Tukwila	16	13	6"	Tukwila	6"	460	20
E Marginal Way & S 112th Street	Tukwila	183	15	12"	Tukwila	12"	445	900
7749 E Marginal Way S	Tukwila	168	20	12"	Tukwila	12"	N/A	Backup service [8]
Trilogy Parkway NE & NE 125 Street (East meter)	Redmond	164	28	10"	Redmond, Sammamish Plateau	16"	610	2900 [9]
Trilogy Parkway NE & NE 125 Street (West Meter)	Redmond	186	28	10"	Redmond, Sammamish Plateau	16"	610	Redundant Supply [9]
160th Ave NE & NE 104th Street	Redmond	165	28	10"	Redmond	16"	515	2420 [10]
NE 172nd Street & Tolt Pipeline No. 2	Redmond	185	28	6"	Redmond	16"	515	Redundant Supply [10]
							TOTAL:	51,375

POINT OF DELIVERY (POD)							MINIMUM HYDRAULIC GRADIENT UPSTREAM OF SEATTLE METER (FEET NAVD-88 Datum) [3]	MAXIMUM FLOW UP TO WHICH HYDRAULIC GRADIENT IS GUARANTEED UNDER THE AGREEMENT [3] [4] (gpm)
SEATTLE METER LOCATION	CASCADE MEMBER OPERATING DOWNSTREAM OF POD	SEATTLE STATION NUMBER	SEATTLE PIPELINE SEGMENT NUMBER	SEATTLE METER SIZE (IN.)	CASCADE MEMBERS SERVED	SIZE OF CASCADE MEMBER METER(S), (IN.) [2]		

Notes:

1. All Points of Delivery (PODs) provide a wholesale level of service. Seattle bears no responsibility for retail service level obligations, such as fire flow or emergency backup.
2. This column is for informational purposes only, i.e., there are no related terms or conditions under the Agreement. Cascade will be responsible for providing Seattle with updated Cascade Member information from time to time.
3. These minimum hydraulic gradients and maximum flows relate to contractual conditions under the Agreement, but do not necessarily reflect practical or operational limits at particular PODs.
4. Except as provided in Note 7 below, all or some of the maximum flows allocated to each POD may be reallocated to another POD on the same Pipeline Segment Number, including those PODs designated as Backup Services. In that case, minimum hydraulic gradients are not guaranteed.
5. Flow branches into two metered Bellevue pipelines downstream of Station 63.
6. The 12" Bellevue meter is located at 4112 161st Ave SE. The two 8" meters that each serve Issaquah and the Sammamish Plateau are located at 16104 SE Newport Way in a single meter vault.
7. The maximum flow shown is the portion serving Bellevue via Coal Creek Utility District. All or a portion of this maximum flow may be reallocated from this POD to other PODs on the same Pipeline Segment Number, but additional flows from other PODs may not be reallocated to this POD.
8. When a Backup Service is the only POD on a Pipeline Segment Number, the Cascade Member operating the Backup Service can re-allocate all or portions of the maximum flows from other PODs it operates to that Backup Service, regardless of Pipeline Segment Number. In that case minimum hydraulic gradients are not guaranteed.
9. The maximum flow that can be shared between Stations 164 and 186 is 2,900 gpm.
10. The maximum flow that can be shared between Stations 165 and 185 is 2,420 gpm.

ORIGINAL

2664-RES
5/30/2012

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8408

A RESOLUTION authorizing and directing the City Manager to execute the Amended and Restated Cascade Water Alliance Interlocal Contract.

WHEREAS, the Cascade Water Alliance (Cascade) was formed in April 1999 pursuant to an Interlocal Contract for the purpose of providing water supply to meet the growing demands of its members, including the City of Bellevue; and

WHEREAS, the Board of Directors of Cascade passed a resolution for the purpose of adopting amendments to the Interlocal Contract in November, 2002; and

WHEREAS, the Amended and Restated Interlocal Contract establishes an overall structure and core principles for the relationship between Cascade and its members and provides flexibility to Cascade to accomplish its mission; and

WHEREAS, supporting the Interlocal Contract begins to fully implement Cascade's role which includes; 1) establishing Cascade as the fourth major water supply agency in the region; 2) creating a regional organization representing Eastside interests; and 3) allowing Bellevue and other Cascade members the ability to determine their own water supply future; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is authorized and directed to execute the Amended and Restated Cascade Water Alliance Interlocal Contract, a copy of which Contract has been given Clerk's Receiving No. 48865.

Passed by the City Council this 4th day of June, 2012, and signed in authentication of its passage this 4th day of June, 2012.

(SEAL)

Conrad Lee

Conrad Lee, Mayor

Attest:

Michelle Murphy for:

Myrna L. Basich, City Clerk

City Clerk's Office
Records Management

CONTRACTS & AGREEMENTS
ECM INDEX DATA

INTRLOC_00 — File Location

CASCADE WATER ALLIANCE — Vendor Name

CASCADE WATER ALLIANCE
12/31/2099

Document Type: Interlocal Amendment
Vendor Name: CASCADE WATER ALLIANCE
PO# Location: INTRLOC-002
Effect Date: 6/5/2012
Term Date: 12/31/2099
CR#: 48865
Related CR#: 36930 37403 48242
Ordinance:
Resolution: 8408
Leg Date: 6/4/2012
Vendor #: 37317
Description: AMD#2 INTERLOCAL CASCADE WATER ALLIANCE AMENDED AND RESTATED CONTRACT PO 510530-002 X-REF 26930, 37403, 48242

Notes:

INTRLOC_00
INTERLOCAL AGREEMENTS
12/31/2099
60017685

Jun 13, 2012 FSU: M JDE: M SI: M ECM: M

PO# 510530-002

After recording, return to:

Van Ness Feldman GordonDerr
2025 First Avenue, Suite 500
Seattle, Washington 98121
(206) 382-9540

CR# 48865 DATE 6-13-12 LOC INTRLOC-002
Abs 8408

WASHINGTON STATE RECORDER'S Cover Sheet (RCW 65.04)

DOCUMENT TITLE(S) (or transactions contained therein):

CASCADE WATER ALLIANCE JOINT MUNICIPAL UTILITY SERVICES AGREEMENT

REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED:

N/A

☐ Additional reference #s on page ___ of document(s)

GRANTOR(S) (Last name first, then first name and initials)

CASCADE WATER ALLIANCE/MEMBERS OF CASCADE WATER ALLIANCE

☐ Additional names on page ___ of document

GRANTEE(S) (Last name first, then first name and initials)

CASCADE WATER ALLIANCE/MEMBERS OF CASCADE WATER ALLIANCE

☐ Additional names on page ___ of document

LEGAL DESCRIPTION (abbreviated: i.e., lot, block, plat or section, township, range)

N/A

☐ Additional legal is on page ___ of document

ASSESSOR'S PROPERTY TAX PARCEL/ACCOUNT NUMBER

N/A

☐ Assessor Tax # not yet assigned

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CR# 48865 DATE 6-13-12 LOC INTERLOC-002
570530-002
RS 8408

CASCADE WATER ALLIANCE

JOINT MUNICIPAL UTILITY SERVICES AGREEMENT

RECITALS

A. WHEREAS, the Members of Cascade Water Alliance ("Cascade") entered into an Interlocal Contract ("**Interlocal Contract**"), effective April 1, 1999, and amended and restated on December 15, 2004, and on October 26, 2011. Under the Interlocal Contract, Cascade was created as a public body and an instrumentality of its Members, which exercised essential governmental functions on its Members' behalf as authorized by the Interlocal Cooperation Act (Chapter 39.34 RCW), and has been functioning as a watershed management partnership, as authorized by RCW 39.34.200. Cascade was incorporated as a public nonprofit corporation in the manner set forth in the Nonprofit Miscellaneous and Mutual Corporations Act (Chapter 24.06 RCW).

B. WHEREAS, Section 3.3 of the Interlocal Contract provides that Cascade may be converted into a separate municipal corporation if and as permitted by law, and that upon the creation of such a separate municipal corporation, all Cascade rights and obligations and all Member rights and obligations shall transfer to that new municipal corporation. Section 10.4 of the Interlocal Contact provides that "upon a 65 percent Dual Majority Vote (ratified within 120 days by 65 percent), as measured by Dual Majority Vote of the Members' legislative authorities, all assets, liabilities, and obligations of Cascade may be transferred to any successor entity (including, without limitation, a joint operating agency or other municipal corporation, as permitted under state law), and all obligations of Members and parties contracting with Cascade become obligations to the successor entity." Cascade's Board resolutions also reserved Cascade's right to convert into a municipal corporation.

C. WHEREAS, the Washington Legislature enacted the Joint Municipal Utilities Services Act, (Chapter 258, Laws of 2011), codified as Chapter 39.106 RCW ("the Act"), which provides in RCW 39.106.080 for the conversion of existing an intergovernmental entity formed under the Interlocal Cooperation Act (Chapter 39.34 RCW) into a joint municipal utility services authority under the Act, if:

- The public agencies that are parties to an existing interlocal agreement would otherwise be eligible to form an authority to provide the relevant utility services;
- Those public agencies amend, restate, or replace that interlocal agreement so that it materially complies with the requirements of RCW 39.106.050;
- The amended, restated, or replacement agreement is filed with the Washington state secretary of state consistent with RCW 39.106.030; and
- The amended, restated, or replacement agreement expressly provides that all rights and obligations of the entity formerly existing under Chapter 39.34 RCW or other applicable law will thereafter be the obligations of the new authority created under Chapter 39.106 RCW.

D. WHEREAS, under the Act, upon compliance with the requirements set forth in Recital C above, the new joint municipal utility services authority shall be a successor of the former intergovernmental entity for all purposes, and all rights and obligations of the former entity shall transfer to the new joint municipal utility services authority. Those obligations shall be treated as having been incurred, entered into, or issued by the new joint municipal utility services authority, and those obligations shall remain in full force and effect and shall continue to be enforceable in accordance with their terms.

E. WHEREAS, in accordance with Sections 3.3 and 10.4 of the Interlocal Contract, Cascade's Members (who are all public agencies that are parties to an existing interlocal agreement) are otherwise eligible to form a joint municipal utility services authority under the Act to provide the relevant utility services.

F. WHEREAS, Cascade's Members intend to amend and restate the Interlocal Contract in compliance with the Act in order to convert Cascade into a joint municipal utility services authority.

G. WHEREAS, Cascade's Members intend to transfer all Cascade rights, assets, liabilities, and obligations to the joint municipal utility services authority, to be created as provided herein.

H. WHEREAS, Cascade's Members intend that, as a joint municipal utility services authority, it will constitute a municipal corporation and will no longer function as a watershed management partnership.

NOW, THEREFORE, it is agreed by Cascade Members as follows:

ARTICLE 1. Agreement.

Effective upon approval by 65 % Dual Majority Vote of the Board (as ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities) the Interlocal Contract is hereby amended and restated as provided herein under the authority of the Act and shall be known as the Cascade Water Alliance Joint Municipal Utility Services Agreement.

ARTICLE 2. Definitions.

"Act" means the Joint Municipal Utilities Services Act, codified as Chapter 39.106 RCW, or as hereafter amended.

"Agreement" means this Joint Municipal Utilities Services Agreement.

"Asset Transfer Agreement" means an agreement between Cascade and a Member by which the Member transfers title to Water Supply Assets to Cascade, with or without monetary consideration, to be operated and maintained as part of the Cascade Water Supply System.

"Authority" means a joint municipal utility services authority formed under the Act and the successor in interest to Cascade as an interlocal agency.

"Authorized Issuer" means either: (a) Cascade (or a successor entity); or (b) a Member or other entity authorized to issue Bonds for the benefit of Cascade approved by Resolution of the Board.

"Board" means the Board of Directors of Cascade.

"Bonds" means short-term or long-term bonds, notes, warrants, certificates of indebtedness, or other obligations issued by, or on behalf of Cascade.

"ByLaws" means the ByLaws of Cascade, as adopted and amended by the Board.

"Cascade" means Cascade Water Alliance, a joint municipal utilities services authority.

"Cascade ERUs" ("CERUs") means equivalent residential units, calculated according to the Regional Capital Facilities Charge Methodology.

"Cascade Supply Date" means the date, established by a Resolution of the Board for each Member upon which Cascade undertakes a Supply Commitment.

"Demand Share" means either a Member's current share of water provided through the Supply System, or estimated share of water to be provided through the Supply System, whether Full Supply or Interruptible Supply, expressed in millions of gallons per day. Demand Share is calculated according to the Rate Calculation Methodology.

"Dual Majority Vote" means Board approval of a proposal on the basis of a simple majority of all Members, allowing one vote per Member, together with a simple majority of all Members on the basis of each Member's Weighted Vote. A "simple majority" means a majority of all Members of Cascade, not just the Members present and voting.

"65% Dual Majority Vote" means Board approval of a proposal on the basis of a 65% supermajority of all Members, allowing one vote per Member, together with 65% supermajority of all Members on the basis of each Member's Weighted Vote. A "supermajority" means 65% of all Members of Cascade, not just the Members present and voting.

"Gross Cascade Revenue" means all of the earnings and revenues received by Cascade from any source whatsoever including but not limited to: (a) Member Charges; (b) revenues from the sale, lease or furnishing of commodities, services, properties or facilities; (c) the receipt of earnings from the investment of money in any maintenance fund or similar fund; and (d) withdrawals from any rate reserve or rate stabilization fund or account.

However, Gross Cascade Revenue shall not include: (a) principal proceeds of Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund obligations relating to the Water Supply System (until commingled with other earnings and revenues included in Gross Cascade Revenue) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (b) taxes and other income and revenue which may not legally be pledged for revenue bond debt service; (c) improvement district assessments; (d) federal or state grants allocated to capital projects; (e) payments under Bond Insurance or other credit enhancement policy or device; (f) insurance or condemnation proceeds used for the replacement of capital

projects or equipment; (g) earnings in any construction fund or bond redemption fund; (h) deposits to any rate reserve or rate stabilization fund or account; or (i) any revenues generated by any Independent Supply except those amounts that are payable to Cascade pursuant to this Agreement or another agreement.

"Independent Supply" or **"Independent Supplies"** means a Member's Water Supply Assets that are not part of the Supply System.

"Joint Municipal Utilities Services Act" or **"Act"** means Chapter 39.106 RCW, or as hereafter amended.

"Member" or **"Members"** means one or more member agencies of Cascade.

"Member Charges" means all payments that Cascade Members are required by this Agreement to make to Cascade, including but not limited to all Rates and Charges, RCFCs, dues, assessments and other payments from Members.

"Net Cascade Revenue" means Gross Cascade Revenue less Operations and Maintenance Costs.

"Non-Member" means any person or agency that is not a party to this Agreement.

"Operations and Maintenance Costs" or **"O&M Costs"** means all expenses incurred by Cascade to operate and maintain the Supply System in good repair, working order and condition, including without limitation, payments made to any other public or private entity for water or other utility service. Except as approved by the Board, Operations and Maintenance Costs shall not include any depreciation, capital additions or capital replacements to the Supply System.

"Rates and Charges" means the rates and charges (not including RCFCs) chargeable to each Member using the Rate Calculation Methodology plus any late payment or other charge that may be due.

"Rate Calculation Methodology" means the method of setting Rates and Charges adopted by the Board in accordance with Section 7.5

"Regional Capital Facilities Charges" ("RCFCs") means the charges to each Member for new CERUs connected to that Member's water distribution system.

"Regional Capital Facilities Charge Methodology" ("RCFC Methodology") means the method of determining the RCFCs adopted by the Board in accordance with Section 5.5.

"Satellite Systems" means water supply facilities identified as such by the Board, including but not limited to facilities that serve a portion of a Member's customers but that are not part of the Member's main water system.

"Shortage Management Plan" means the plan adopted by the Board in accordance with Section 7.3.1.

"Supply Commitment" means the obligation undertaken by Cascade, established by Resolution of the Board to supply water to a Member. With respect to Members, that obligation shall be characterized as **"Full Supply Commitment,"** or an **"Interruptible Supply Commitment"** defined as follows:

"Full Supply Commitment" or **"Full Supply"** for any or all of a Member's water needs means that those needs, as projected in the Cascade Water Supply Plan and as agreed to by that Member, shall be met from the Supply System, net of Independent Supply and subject to the other limitations established in this Agreement, on an equal parity with all other Full Supply Commitments, and with a guaranteed priority no lower than for any other Supply Commitment made by Cascade; provided that no Member is guaranteed any given amount of supply or capacity.

"Interruptible Supply Commitment" or **"Interruptible Supply"** means a supply of all or part of a Member's water needs from the Supply System on an as-available basis on a lower priority than any Full Supply Commitment.

The Supply Commitment for a Member shall be defined by this Agreement, the terms and conditions of membership, and the Supply Commitment resolution.

"Supply System" or **"Water Supply System"** means the Water Supply Assets owned or controlled by Cascade.

"Water Supply Assets" means tangible and intangible assets usable in connection with the provision of water supply, including without limitation, real property, physical facilities (e.g., dams, wells, treatment plants, pump stations, reservoirs, and transmission lines), water rights, capacity and/or contractual rights in facilities or resources owned by other entities, and investments in conservation programs and facilities.

"Watershed Management Plan" means any Watershed Management Plan that existed on the effective date of the Authority which shall be considered a plan of the Authority.

"Water Supply Plan" or **"Cascade's Water Supply Plan"** means the Cascade's Regional Water Supply Plan adopted by the Board as provided in Section 8.1.

"Weighted Vote" means a vote in which each Member's vote is counted according to the Member's Demand Share, but no Member shall have a Weighted Vote of less than one.

ARTICLE 3. Formation of Entity; Purpose and Powers.

Section 3.1 Formation. Effective on the date of filing of this Agreement with the Washington state secretary of state, Cascade shall be a joint municipal utility services authority formed under the Act; and is the successor for all purposes to the former Cascade created under the Interlocal Contract as an intergovernmental entity existing under the laws of Chapter 39.34 RCW; and is no longer functioning as a watershed management partnership. All rights and obligations of the former intergovernmental entity are transferred to Cascade, the new Authority, which obligations shall be treated as having been incurred, entered into, or issued by Cascade, the successor, and those obligations (including without limitation, outstanding Bonds issued by the former Cascade) shall remain in full force and effect and shall continue to be enforceable in accordance with their terms.

Cascade Water Alliance, as a joint municipal utility services authority, is a municipal corporation.

Section 3.2 Membership. Subject to restrictions on future Cascade water rights, or to limitations upon place of use of water supply imposed by contract or permit, any city, town, county, water-sewer district, public utility district, other special purpose district, municipal corporation, or other unit of local government of this or another state that provides utility services, and any Indian tribe recognized as such by the United States government (or as may be allowed by amendments to the Act) may be admitted as a member of Cascade. The decision to admit new Members rests with the sole discretion of the Board, which shall determine whether to extend a membership offer taking into consideration the audit findings (as described in this Section 3.2), Cascade water resources, and any other factors the Board deems advisable.

When an entity that is eligible for membership under the Act, applies for membership, Cascade shall conduct a water supply audit according to the methodology and within the period determined by the Board. Audit results shall be provided to the Board and to the applicant.

If a membership offer is extended, it shall address the nature of the Water Supply Assets being transferred or retained and the "value" of those assets in terms of the calculation of an applicant's Demand Share, RCFCs and other matters relating to the rights and obligations of the applicant and Cascade, which must be recorded in the form that the Board determines and which will constitute, along with this Agreement, the conditions under which an applicant becomes a Member of Cascade. An applicant for membership shall be admitted by adoption of a Resolution of the Board accepting the application for membership and incorporating the terms and conditions of membership.

Each membership application must be accompanied by a nonrefundable application fee based on the estimated cost of the audit and other costs related to the admission of a new Member or a request for new supply. The Board shall set the application fee for each applicant based on the estimated cost of processing the application, including the cost of the audit.

As a condition of membership, each new Member admitted to Cascade shall, in addition to any other applicable fees, rates, charges or assessments, pay to Cascade the membership fee, as established by the Board.

If an applicant's planning process or plans are materially out of compliance with the requirements of applicable state law, the Board may condition an offer of membership upon the applicant's compliance with that state law.

Section 3.3 Purposes. Cascade's purposes include those related to water resources, or any other utility service as allowed under the Act, as authorized by a unanimous vote of the Board, and do not include the provision of other general services to the public, and are to:

a. provide a safe, reliable and high quality drinking water supply to meet the current and projected demands of Cascade Members, and for non-Members as determined by Cascade, and to carry out this task in a coordinated, cost-effective, and environmentally sensitive manner;

b. develop, contract for, manage, acquire, own, maintain and operate Water Supply Assets, including without limitation, surface water supplies, groundwater supplies, reclaimed water supplies, and other water supply resources as determined by the Board;

c. purchase and provide water supply, transmission services, treatment facilities and other related services;

d. provide conservation programs to promote the wise and efficient use of resources;

e. carry out emergency water supply and shortage management programs for its Members when demands exceed available supply;

f. coordinate and plan cooperatively with other regional or local water utilities and other entities to maximize supply availability and to minimize system costs;

g. develop a Water Supply Plan addressing the needs of Cascade and its Members and Cascade itself and develop a regional water supply plan with other water providers as Cascade may find convenient or necessary to meet regional, state and federal planning requirements, and to take a leadership role in developing and coordinating those supply plans;

h. share costs and risks among Members commensurate with benefits received; and

i. carry out, or to further other water supply purposes that the Members determine, consistent with the provisions of this Agreement.

Section 3.4 Powers. To further its purposes, Cascade has the full power and authority to exercise all powers authorized or permitted under the Act and any other laws that are now, or in the future may be, applicable or available to Cascade and to engage in all activities incidental or conducive to fulfill the purposes set forth in Section 3.3 of this Agreement, including but not limited to the authority to:

a. acquire, construct, receive, own, manage, lease and sell real property, personal property, intangible property and other Water Supply Assets;

b. operate and maintain facilities;

c. enter into contracts;

d. administer personnel matters in a manner generally consistent with the laws applicable to a code city (population over 20,000), to the extent applicable and with discretion left to the Authority, to the fullest extent otherwise permitted by law, related to the appointment, removal and/or compensation of officers, the establishment and/or administration of employee health and welfare benefit programs, and/or the establishment and/or administration of civil service/merit systems, retirement benefits/systems, and/or pension benefits/systems;

e. sue and be sued;

f. exercise all powers of eminent domain granted under Chapter 8.12 RCW and other applicable statutes (e.g. Chapter 8.25) , now or as hereafter amended;

g. impose, alter, regulate, control and collect rates, charges, and assessments;

h. purchase and sell water and services within and outside the geographical boundaries of its Members;

i. borrow money (through its Members or other entities at their individual discretion or as authorized by the Act and this Agreement now or as hereafter amended), or enter into other financing arrangements;

j. lend money or provide services or facilities to any Member, other governmental water utilities, or governmental service providers;

k. invest its funds;

l. establish policies, guidelines, rules or regulations by either ByLaws or resolution to carry out its powers and responsibilities;

m. purchase insurance, including participation in pooled insurance and self-insurance programs, and indemnify its Members, its Board of Directors and Alternate Board Members, officers and employees in accordance with law;

n. exercise all other powers within the authority of, and that may be exercised individually by all of its Members with respect to water supply, conservation, reuse, treatment and transmission, or any of the other purposes set forth in Section 3.3;

o. exercise, without limitation, all other corporate powers that Cascade may exercise under the law relating to its formation and that are not inconsistent with this Agreement or the Act or other applicable law;

p. for the purposes of contracting and public works, exercise all powers of a code city (population over 20,000) under RCW 35A.40.200 - 35A.40.210, now or as hereafter amended;

q. for disposal of surplus property, exercise all powers granted under RCW 35A.11.010, now or as hereafter amended, to code cities;

r. in the event Cascade charges connection charges or Rates and Charges for services supplied or available to its customers' property on a retail basis, exercise all powers granted under RCW 57.08.081, now or as hereafter amended, for the establishment of liens; and

s. for purposes of a Cascade code of ethics, exercise all powers of a municipal corporation and observe the requirements under Chapter 42.23 RCW, now or as hereafter amended.

ARTICLE 4. Organization Structure; Board.

Section 4.1 Composition, ByLaws and Meetings. Cascade is governed by a Board of Directors consisting of one individual representative appointed by Resolution by each of the Member's legislative authority. Members may similarly appoint Alternate Board Members. Each Board Member and each Alternate Board Member must be an elected official of the Member.

The Board shall adopt ByLaws consistent with this Agreement that specify, among other matters, the month of Cascade's Annual Meeting, Board powers and duties and those of the Executive Committee, Standing Committees, Officers and employees.

The Board shall meet as required by the ByLaws, but not less than quarterly.

Section 4.2 Powers of the Board. The Board has the power to take all actions on Cascade's behalf in accordance with voting provisions set forth in Section 4.3. The Board may delegate or assign to the Executive Committee or to specific Cascade Officers or employees any action that is not expressly reserved to the Board under this Agreement.

Section 4.3 Voting. All Board actions must be approved by Dual Majority Vote of all Members, except where this Agreement requires either a 65% Dual Majority Vote, as provided in Sections 4.7, 5.5, 7.3, and 7.5; or ratification by the Members' legislative authority, as provided in Sections 9.3 and 9.4 and Article 10. The Board may act by voice votes, as set forth in the ByLaws. Any Member may require a recorded tabulation of votes either before or immediately after a voice vote is taken. Although voting is, in part, based on Weighted Vote, the Members expressly agree that there is only one class of voting membership, and voting occurs within that single class.

Any Member that has been declared to be in default of its obligations under this Agreement by the Board shall lose its right to vote until the Board has declared the default to be cured.

Section 4.4 Officers and Committees. Cascade Officers shall include a Chair, a Vice Chair, a Secretary, and a Treasurer. The Chair serves as the chair of the Board (and may be known as the "President", if the ByLaws so designate) and performs those duties set forth in the ByLaws.

The Vice Chair shall perform the duties of the Chair in the Chair's absence and shall perform other duties as set forth in the ByLaws. The Secretary shall be responsible for Cascade records and perform other duties as set forth in the ByLaws. The Treasurer shall be responsible for Cascade accounts and financial records and perform other duties as set forth in the ByLaws.

Consistent with the provisions of this Agreement, the Board may, in the ByLaws, establish additional Officers and set forth their duties.

The Board may create and appoint Members to Standing Committees and special committees as it deems appropriate. Committee Members need not be elected officials or employees of Members, but Standing Committee Chairs must be Board Members or Alternate Board Members.

Section 4.5 Executive Committee. The Chair, Vice Chair, Secretary, and Treasurer shall constitute Cascade's Executive Committee. The Chair (or acting Chair) shall vote on matters before the Executive Committee only if necessary to break a tie. The Executive Committee's duties and responsibilities are set forth in the ByLaws. The Executive Committee shall not have the power to:

a. approve any contract for a term longer than three (3) years;

b. approve any contract involving expenditure by, or revenue to Cascade in excess of such amounts and under such circumstances as set forth in the ByLaws;

c. retain or dismiss the chief executive officer or determine the chief executive officer's compensation; or

d. take any actions expressly reserved to the Board by this Agreement or the ByLaws.

The Executive Committee shall have the authority, if necessary, to avoid default on any Bond, to withdraw from any capital reserve fund or rate stabilization fund, an amount equal to the amount necessary to avoid a default and to authorize payment of that amount to avoid default.

Section 4.6 Staff, Consultants and Contractors. Cascade staff shall consist of a chief executive officer and other positions established by resolution of the Board. The Board shall appoint, designate the title of, and establish the compensation range of the chief executive officer. The Board shall hire auditors for Cascade. The chief executive officer may hire all other staff and consultants, and those appointments may be subject to ratification by the Board or the Executive Committee if the ByLaws so provide. The Board may also provide that administrative, professional or technical services be performed by contract.

Section 4.7 Budget; Dues; Financial Management. The Board shall approve a budget for each fiscal year, determining Cascade's revenues and expenditures no later than sixty (60) days before the beginning of the fiscal year in which that budget will be in effect. The budget shall be developed and approved according to a schedule established by the ByLaws. The budget must identify the levels of Member Charges on which revenue projections are based. The Board may amend the budget.

Each Member shall pay dues to defray part or all of Cascade's administrative costs based on the number of CERUs served by its water system, regardless of water usage or capacity, and regardless of whether those units are served by the Supply System or by Independent Supply. Total administrative dues collected from all Members may not exceed nine percent (9%) of Cascade's revenue requirement. This limit may be amended in the budget by a 65% Dual Majority Vote of the Board. The Board may establish minimum dues per Member and may provide that less than all of a Member's CERUs be taken into account in establishing dues.

All Cascade books and records shall be open to inspection by the Washington State Auditor.

The Board shall approve, by Resolution, the treasurer of Cascade, which may be the treasurer or chief finance officer of any Member, or the treasurer of any Washington county in which any Member is located; or, if the total number of utility customers of all of the Members of Cascade is greater than two thousand five hundred (2,500), the treasurer may be an officer or employee of Cascade (or as may be allowed by amendments to the Act).

ARTICLE 5. Asset Development and Supply Commitment.

Section 5.1 Property Acquisition, Ownership and Disposition. Cascade may construct, purchase, rent, lease, manage, contract for, or otherwise acquire and dispose of Water Supply Assets and

other assets. Cascade may control and manage both the assets it owns and the assets that are owned by Members that have transferred control and management of those assets to Cascade. This Agreement does not vest in Cascade any authority with respect to Members' other facilities or assets, such as Water Supply Assets retained by Members as Independent Supply.

Subject to Cascade's agreement, a Member may transfer to Cascade its title to, or operational control and management of Water Supply Assets. Water Supply Assets may also be fully retained by Members as Independent Supply, subject to the provisions of Article 6. At the discretion of the Board, Cascade may accept title to, or operational control and management of Water Supply Assets offered by Members or accept supply assets that constitute all or part of a Member's Satellite System(s). The Board may accept supply assets subject to the terms and conditions arranged between Cascade and the Member, based on the result of the audit process and mutual needs.

Cascade may enter into Asset Transfer Agreements which shall provide for the terms and conditions of: (a) Cascade's operation of the transferred Water Supply Asset with respect to the Member transferring the asset; (b) Cascade's operation, maintenance and replacement of the Water Supply Asset as part of the Supply System; (c) return or disposition of the Water Supply Asset if Cascade terminates its existence or the Member withdraws; (d) continuation of service (if appropriate) to Members or former Members by the Member receiving the Water Supply Asset at reasonable rates and charges or payment to Cascade of the cost of replacing the Water Supply Asset; and (e) such other conditions as the Board and the Member agree upon.

Subject to Cascade's agreement, a Member that transfers title or operation, control and/or management to Cascade of any Water Supply Asset shall be deemed to also transfer, assign and/or convey the franchises, if any, associated with that Water Supply Asset.

Members shall not be deemed to hold legal ownership rights in any Water Supply Assets owned by Cascade whether those Water Supply Assets have been developed by, purchased by, or transferred to Cascade, and regardless of the accounting treatment of RCFC payments and other payments made to Cascade.

Section 5.2 Supply Commitment

Section 5.2.1 Commitment to Members.. Beginning on the Cascade Supply Date, Cascade shall provide a Supply Commitment to each Member. Cascade shall provide a Full Supply Commitment to a Member that joins with Water Supply Assets sufficient to provide for its needs during the following fifteen (15) years (whether or not those Water Supply Assets are transferred to Cascade or retained as Independent Supply.)

Any Full Supply Commitment shall be subject to water shortages, to Cascade's ability to implement the Water Supply Plan, and to the portion of the Member's needs that can be served by the audited capacity of its Independent Supply. If the needed supply is not available, the shortage shall be shared by all the Members in accordance with Cascade's Shortage Management Plan, except as otherwise provided in Section 5.5. Cascade shall be obligated to provide water supply to the entire service area of each Member (as that service area is defined in terms under which the Member is admitted or as in the

Member's adopted and approved Water System Plan as of the Effective Date of this Agreement), whether or not some of that service area is within the Member's current jurisdictional boundaries and/or within the current urban growth boundary. Cascade is not obligated to provide water supply to service area expansions in or outside the urban growth boundary, unless Cascade agrees to such expanded service area. Cascade is not obligated to provide increased water supply to any Member if it is determined that the Member's planning process or plans are materially out of compliance with the requirements of applicable state law.

A Member that joins with Water Supply Assets insufficient to provide for its needs for fifteen (15) years receives the Full Supply it desires only if, when, and to the extent it is available within reliability standards determined by Cascade's system reliability methodology. If sufficient Full Supply is not available within reliability standards determined by Cascade's system reliability methodology, the Member receives partial Full or Interruptible Supply, and Full Supply must be provided within fifteen (15) years. Cascade shall then undertake to include in Cascade's Water Supply Plan, and to acquire the facilities or other assets necessary in the Board's determination to provide for the identified deficit. If Cascade fails to develop sufficient assets to timely provide the increased Full Supply, the commitment becomes a Full Supply Commitment at the end of that fifteen-(15) year period, and any shortage shall be shared by all Members in accordance with Cascade's Shortage Management Plan.

If multiple Members request new Full Supply, requests must be honored in the order received (i.e., in the order in which application is made accompanied by the application fee). With respect to new Members, requests for Full Supply "vest" no earlier than the date that membership is effective. In cases of conflict or ambiguity, the Board may determine the order of requests.

Section 5.2.2 Additional Rules for Members Retaining Independent Supply. Members are not required to share shortages resulting from the loss of all or part of Independent Supply, although Cascade may make Interruptible Supply available to a Member that loses Independent Supply at prices that are consistent with the price of Interruptible Supply being made available to others at that time. Cascade may at any time and at its cost and expense carry out audits of a Member's Independent Supply.

A Member requesting an additional Full Supply Commitment due to loss of Independent Supply shall make that request by Resolution of the requesting Member's legislative authority. When and as determined by the Board, the Member shall pay an amount equal to the RCFCs allocable to the number of CERUs that can be served by the replacement supply provided or to be provided by Cascade. Cascade shall then include the supply in its Water Supply Plan, and provide the supply when it becomes available, but in any event within fifteen (15) years. If, within fifteen (15) years the supply is not available, Cascade's commitment becomes a Full Supply Commitment and any shortage with respect to that supply must be shared by all the Members in accordance with the Shortage Management Plan, except as otherwise provided in Section 7.3.

Section 5.3 Financing of Assets. The acquisition of new capital facilities and other Water Supply Assets may be financed using RCFCs, transfers or Water Supply Assets, Rates and Charges, the issuance of revenue Bonds and such other sources as the Board may deem appropriate.

Section 5.3.1 Issuance of Bonds. An Authorized Issuer may issue Bonds payable from and secured solely by all or a portion of Net Cascade Revenue, evidencing indebtedness up to an amount approved by Resolution for the Board in order to provide financing or refinancing to acquire, construct, receive, own, manage, lease or sell real property, personal property, intangible property and other Water Supply Assets, to establish debt service reserves, to provide for capitalized interest and to pay the costs of issuance of, and other costs related to the issuance of the Bonds. Such Bonds shall be payable solely from all or a portion of the Net Cascade Revenue or (if the Authorized Issuer is other than Cascade) from payments to be made by Cascade out of all or a portion of Net Cascade Revenue, and such Bonds shall not pledge the full faith and credit or taxing power or, except as expressly provided by contract, the revenue, assets or funds of any Member.

Members serving as Authorized Issuers may conduct the financing through "separate systems" permitted by their applicable bond resolutions, or in some other appropriate manner, and Cascade may compensate those Members for all costs associated with the financing. Bond-related documents of Authorized Issuers other than Cascade must expressly permit the Bonds to be refunded or prepaid without penalty prior to their stated maturity, on and after such dates as are approved by the Authorized Issuer and the Board, to allow for a transfer of the obligation to Cascade or to Cascade's successor entity, including without limitation, a joint operating agency or similar entity, as may be permitted by law.

Section 5.3.2 Pledge of Revenues. For as long as any Bonds payable from Net Cascade Revenue (or any portion thereof) are outstanding, Cascade irrevocably pledges to establish, maintain and collect all Member Charges in amounts sufficient to pay when due the principal of and interest on the Bonds (and, if the Authorized Issuer is other than Cascade, in addition to the foregoing pledge, to pledge to make timely payments to that Authorized Issuer for the payment of principal of and interest on the Bonds), *together with amounts sufficient to satisfy all debt service reserve requirements*, debt service coverage requirements, and other covenants with respect to the Bonds.

Each Member hereby irrevocably covenants that it shall establish, maintain and collect rates, fees or other charges for water and other services, facilities and commodities related to the water supply it receives from Cascade and/or its water utility at levels adequate to provide revenues sufficient to enable the Member to: (a) make the payment required to be made under this Agreement; and (b) pay or provide for payment of all other charges and obligations payable from or constituting a charge or lien upon such revenues. Each Member hereby acknowledges that this covenant and its covenant in Section 7.9 of this Agreement may be relied upon by Bond owners, consistent with this Agreement.

Each Member shall pay the Member Charges imposed on it whether or not the Water Supply Assets to be financed through the issuance of Bonds are completed, operable or operating, and notwithstanding the suspension, interruption, interference, reduction or curtailment in the operation of any Water Supply Assets for any reason whatsoever, in whole or in part. Member Charges shall not be subject to any reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or nonperformance of any Member, or of any entity under this or any other agreement or instrument. However, credits against future RCFCs and Rates and Charges described in Sections 5.5 and 7.5, respectively, for development or addition of excess capacity that is either transferred to Cascade or

retained as Independent Supply, shall not be considered "offsets" or "reductions" for the purposes of this Section.

If, in connection with the issuance of obligations, any Member establishes a new lien position on revenues relating to its water utility, that Member shall covenant in the relevant documents that the amounts to be paid to Cascade as Member Charges shall be treated either: (a) as part of that Member's internal operation and maintenance costs payable prior to debt service on those obligations; and/or (b) for any portion of those Member Charges that is allocable to capital costs, as a contract resource obligation payable prior to debt service on those obligations. If any Member has existing outstanding revenue obligations relating to its water utility, it shall include substantially similar "springing covenants" in the documents relating to any new parity obligations.

Section 5.3.3 Continuing Disclosure. To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule") as applicable to a participating underwriter for any Bonds and any obligation of each Member as an "Obligated Person" under the Rule, Cascade and each Member agree to make an appropriate written undertaking, respectively, for the benefit of holders of the Bonds consistent with the requirements of the Rule.

Section 5.3.4 Preservation of Tax Exemption for Interest on the Bonds. Each Member covenants that it will take all actions necessary to prevent interest on tax-exempt Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of tax-exempt Bonds or other funds treated as proceeds of those Bonds at any time during the term of those Bonds that will cause interest on those Bonds to be included in gross income for federal income tax purposes.

Section 5.3.5 Additional Certificates. Each Member further agrees to provide such certificates or verifications as are reasonably requested by an Authorized Issuer in connection with the issuance of Bonds under this Section.

Section 5.4 Supply System-Development. Cascade must provide for Supply System development to meet the needs of additional water customers of Members, subject to consistency with applicable state law, Cascade's Water Supply Plan, orderly asset development, reasonable cost and financing capacity. The Board shall establish a water supply development process, including criteria governing the evaluation of new projects, and that process must promote equality of costs and services (other than direct local services), regardless of geographic location. The results of the water supply planning process must be reflected in Cascade's Water Supply Plan. The Board shall have the authority to undertake new projects identified in Cascade's Water Supply Plan for the expansion of Water Supply Assets and regional transmission system extensions to meet Members' projected needs. To reduce costs, Cascade may, to the extent that the Board deems advisable, enter into agreements with Members to wheel water through their existing systems. When facilities are constructed that are used partially by Cascade for wheeling water and partially by Members or other entities for their purposes, the Board may determine an appropriate Cascade contribution to the cost of those facilities. Existing arrangements

among Members (and between Members and Non-Members), in place when a Member joins Cascade, remain unaffected except as otherwise agreed between Cascade and the other entities concerned.

Section 5.5 Regional Capital Facilities Charges. To allocate growth costs to those Members that require capacity increases, each Member shall pay to Cascade an RCFC for each new CERU connected to its water distribution system. *Growth in water usage by existing CERUs is not* subject to RCFCs unless that growth constitutes a CERU increase as provided in the RCFC Methodology. Members with a supply deficit must pay an RCFC commensurate with that deficit. To the extent that a Member transfers to Cascade or retains an Independent Supply water supply in excess of its needs, it receives a corresponding credit against future RCFCs.

A new Member with adequate supply shall commence paying RCFCs fifteen (15) years prior to the date that its Water Supply Assets are projected to be insufficient to provide for its needs as determined by the Board (taking into consideration the results of the Water Supply Audit).

A *Member that joins with* Water Supply Assets that are projected to be insufficient to provide for its needs for fifteen (15) years shall immediately pay RCFCs for the number of CERUs representing the deficit as determined by the Board.

RCFCs shall be calculated according to the RCFC Methodology, which shall define the analytical steps required to calculate the RCFCs according to the average unit cost of past construction of the existing system plus the Supply System improvements planned at the time of the calculation. The methodology shall provide for an annual escalator, recalculation and update not less frequently than every fifth year, and a methodology for determining CERUs. The RCFCs shall be imposed on the Member for each new CERU of that Member in accordance with the terms of this Agreement. Amendments to the RCFC Methodology shall require a 65% Dual Majority Vote.

If a Member owns Water Supply Assets or transfers Water Supply Assets to Cascade under Section 5.1, to the extent the audited capacity of those assets exceeds the Member's needs, that Member shall receive a credit against future RCFCs. If a Member seeks to transfer assets substantially in excess of its foreseeable needs, Cascade may negotiate appropriate compensation arrangements for the transfer.

Members that develop new Independent Supply that is approved by the Board in accordance with Article 6, similarly receive a credit effective when the Independent Supply is placed in service as determined by the Board.

A Member that accepts ownership of a Satellite System that Cascade agrees to serve shall pay an RCFC for the amount of supply needed to serve that system in excess of its rated capacity.

Members that experience a net reduction in the number of CERUs served shall receive a CERU-for-CERU credit against future RCFCs.

RCFC credits may not be transferred among Members without Board approval.

Members shall not be required to pass RCFCs to their customers as capital facilities charges, but may provide for the payment of RCFCs in whatever manner they deem appropriate.

For Members joining with an unmet net supply need, Cascade may, under circumstances determined by the Board, require the prepayment of RCFCs allocable to the full amount of the requested supply, e.g., when funds are needed to begin the construction of facilities immediately.

Section 5.6 Transfer Upon Mergers, Consolidations and Assumptions. If: (a) two or more Members merge or consolidate; (b) a Member or a Non-Member assumes jurisdiction of part or all of a Member; or (c) a Member assumes jurisdiction of part or all of a Non-Member, the jurisdictions' water supply rights from and obligations to Cascade shall be transferred or assumed under applicable law and consistent with the requirements of this Agreement and the obligations of Cascade.

ARTICLE 6. New Independent Supply.

Members may not bring new Water Supply Assets on-line as Independent Supply without Board approval. That approval may be granted or denied following an evaluation process, based on whether the Board determines that development of the proposed Independent Supply will benefit or be adverse to the interests of the Members as a whole. Recognizing that in certain circumstances the acquisition of additional Independent Supply might benefit (or cause no material harm to) the Members, new supplies under one (1) MGD may be approved by the Board regardless of the provisions of the Water Supply Plan and without a formal evaluation process. New supplies in amounts greater than one (1) MGD must be described in and be consistent with the Water Supply Plan.

Members that have invested in the development of new Independent Supply assets may offer to sell their interest in such assets to Cascade. Cascade may, in its sole discretion and subject to mutually agreeable terms and conditions, purchase the Member's interest in such Independent Supply asset by reimbursing or otherwise compensating the Member for its investment in the project to the extent that investment has been capitalized. Once Cascade has purchased a Member's interest in a project, the project will be considered a Water Supply Asset of Cascade and will be incorporated into the Water Supply Plan.

ARTICLE 7. Asset Management.

Section 7.1 Supply System Management. Cascade is responsible for managing, on behalf of all Members, the Supply System. Cascade is not responsible for managing Independent Supply unless it has expressly agreed to do so. Supply System management responsibilities shall be governed by Cascade's system management plan adopted by the Board. Cascade's system management plan concerns, without limitation, matters such as daily system operations and maintenance, interface with other supply providers, contractual obligations, water quality, billing, management and administration. Cascade may delegate and/or contract out its Supply System responsibilities.

Cascade must manage the Supply System in compliance with applicable laws, regulation, and Cascade's minimum service standards.

Section 7.2 Conservation. Cascade shall develop and carry out, and Members must participate in, water conservation programs that are uniform among Members. The Board shall develop

and implement a Cascade conservation management plan that provides a mandatory base conservation program that functions to reduce both average and peak demands and may establish a charge or assessment to fund development and implementation of the program. Members may implement additional conservation programs. The Board may adopt wholesale charges in addition to normal Demand Share charges to encourage resource conservation. The Board may also provide or contribute to additional local conservation programs that are not offered to all Members, and these local programs may be locally funded or funded by Cascade. Members that fail to comply with base programs as set forth in Cascade's conservation management plan may be required to assume a disproportionate reduction in water supply or to pay penalty charges, or both.

Section 7.3 Shortages and Emergency.

Section 7.3.1 Shortages. Members must respond to water shortages in a collective, shared fashion under a Cascade Shortage Management Plan adopted by the Board. Resources must be shared in a manner that reduces the risk of severe shortages to each Member. Cascade's Shortage Management Plan may include without limitation, a definition and classification of shortages, a shortage contingency plan including mandatory programmatic actions among all Members in the event of shortages, allocation of authority for determining and responding to shortages, and a communications and outreach program for the public. Members shall not be required to implement Cascade's Shortage Management Plan in areas not served by the Supply System.

In the event of shortages, Cascade shall reduce or halt Interruptible Supply before invoking the Shortage Management Plan with respect to all Members with a Full Supply Commitment. However, the Board may, by 65% Dual Majority Vote, continue service in the amounts it deems appropriate to one or more Members receiving Interruptible Supply.

The Board may require that Members failing to comply with mandatory shortage management programs implemented under Cascade's Shortage Management Plan assume a disproportionate reduction in supply or pay penalty charges, or both.

In the event of a Cascade-wide water shortage, Members with Independent Supply may, without penalty, decline to participate in the shortage management program for that shortage by foregoing all supply from Cascade for the duration of the emergency or shortage.

To avoid shortages resulting from emergencies or the inability to develop sufficient supplies, the Board may, by 65% Dual Majority Vote, establish moratoria on connections or additional commitments for future water services by the Members. A moratorium may be discontinued by a Dual Majority Vote of the Board.

Section 7.3.2. Emergency. The Board shall include in Cascade's Shortage Management Plan policies and procedures for addressing short-term disruptions of water supply, transmission or water quality, and it may delegate to the chief executive officer authority to address such disruptions according to such policies and procedures.

Section 7.4 Water Quality.

In addition to agreements under 5.1 of this Agreement,-Cascade shall be responsible for water quality that meets or exceeds all federal or state requirements at the point of delivery from Cascade to the Member, consistent with applicable laws and regulations. Cascade assumes source water quality responsibility and liability with respect to Water Supply Assets under its ownership or control (including water wheeled to a Member through another Member's facilities). Cascade is also responsible for preparing and carrying out water quality activities compatible with the water quality requirements of regional water suppliers integrated with Cascade's system (e.g., Tacoma, Everett, and Seattle).

Cascade may, in its sole discretion, determine and adjust the appropriate method and level of treatment of water that it supplies, so long as that water meets applicable state and federal requirements. If water that it supplies meets those requirements, Cascade shall not be obligated to adjust the method or level of treatment so that the water can be more readily blended with a Member's Independent Supply or more readily transmitted through a Member's internal system. Each Member shall remain responsible for water quality within its respective distribution system, assuming that adequate water supply quality is provided by Cascade at the point of delivery from Cascade.

Each Member shall be responsible for all costs related to making water supplied by Cascade compatible with that Member's internal system, including but not limited to, costs of additional treatment.

Section 7.5 Water Supply Rates and Charges. The Board shall set Rates and Charges according to a Rate Calculation Methodology adopted from time to time by the Board. The Rate Calculation Methodology for Members' Supply Commitment shall provide for the definition and calculation of Demand Shares and for a uniform pricing structure with a commodity charge and fixed charges allocated by Demand Share.

Cascade may sell water to a Non-Member under terms and conditions established by a 65% Dual Majority Vote of the Board. Revenue received from the sale of water to Non-Members shall be used to offset or reduce Rates and Charges to Members to the extent practicable, except that such revenue need not be treated as reducing or offsetting those amounts that are necessary for the payment of debt service on Bonds and for the provision of reserve and coverage requirements for the Bonds.

A Member shall be assigned a Demand Share based on the Board's best estimate of capacity to be used by that Member. The Demand Share shall be established based on an audit of that Member's past three (3) years of water use. After three (3) years as a Member, the baseline demand and capacity obligation for that Member shall be fixed based on actual experience as a Member. A specific Demand Share may be set by the Board to account for circumstances, such as (by way of example and not by limitation) costs of extending the Supply System to a Member, or when Independent Supplies affect regional demand patterns. When water supply from Cascade is wheeled through a Member to another Member, Cascade may presume that the first Member receiving the water is the "User" for calculation of Demand Shares unless the Members concerned instruct Cascade to use a different allocation. Rate credits for Water Supply Asset transfers are not deducted in the calculation of Demand Shares but are applied to reduce what a Member would otherwise pay.

The Board must set Member Charges at levels it determines to be sufficient, together with other available revenue sources, to provide adequately for Operation and Maintenance Costs, Bond debt service, coverage and other covenants, replacement and renewal of facilities, reserve, and other costs that the Board deems appropriate. The Board may provide that a Member's failure to participate in the planning process may result in penalty charges.

A Member that has transferred Water Supply Assets shall receive a credit, determined when those assets are audited and transferred, based on the useful life of those facilities and on the Member's use of the water produced by those assets or an amount of water equivalent to the amount of supply from them.

The Board may implement wholesale charges (additional to Demand Share-based charges and variable commodity charges) to reduce extreme peak use (e.g., "peaking-off of the pipe").

Water Rates and Charges must be the same for all Members receiving the same class of service (subject to credits, surcharges and penalty charges).

Section 7.6 Franchises and Easements. Except to the extent otherwise required by state law, each Member shall provide franchises and rights of way on, under or across that Member's streets or other property, to Cascade and to other Members for Water Supply Assets, without charging any fees, rent or charges other than the customary and usual right-of-way permit and inspection fees.

Section 7.7 Sales of Water to Non-Members. Unless approved by the Board, a Member shall not sell water supplied by Cascade, nor shall a Member sell Independent Supply offset by water supplied by Cascade to a Non-Member. Notwithstanding the foregoing, any Member may sell water supplied by Cascade to a Non-Member to the extent required by a contract in effect as of the date the Member joins Cascade.

Section 7.8 Payment Procedures; Default; Step-Up Provisions.

Section 7.8.1 Invoice and Payment.

(a) Cascade shall provide each Member with periodic invoices showing the Member Charges payable by that Member for the billing period and the due date. Invoices shall be provided monthly or on other such periodic schedule as determined by the Board, but no more frequently than monthly nor less frequently than once every six months. The Board will determine a due date for all invoices.

(b) Payment of any and all invoices shall be due and payable on or before the due date, and shall be made by wire transfer or such other means as are agreed to by Cascade and the Member. If a treasurer, trustee, fiscal agent or escrow agent is appointed in connection with the issuance of Bonds, Cascade may require, and specify on the invoice, that certain amounts be provided directly to that person or entity, and the Member shall pay those amounts in the manner and to the person so specified.

(c) If full payment of any invoice is not received on or before the due date, such payment shall be considered past due and a late payment charge shall accrue for each day that the invoice remains unpaid. The late payment charge shall equal the product of the unpaid amount and an interest rate

established by the Board. Late payment charges shall continue to accumulate until the unpaid amount of the invoice and all late payment charges are paid in full. Further, if an invoice or any portion thereof remains unpaid for more than sixty (60) days after the due date, Cascade may pursue any legally available remedy at law or equity for the unpaid amount, including without limitation, specific performance and collection of the late payment charge. Cascade's right to enforce payments in this regard may be assigned to a treasurer, trustee, credit enhancement provider or other entity. Furthermore, upon written notice, Cascade may reduce or suspend delivery of water until the invoice and late payment charges are paid.

(d) If any Member disputes all or any portion of an invoice, it shall notify Cascade immediately upon receipt. If Cascade does not concur, the Member shall remit payment of the invoice in full, accompanied by written notice to Cascade indicating the portions of the invoice that the Member disputes and the reasons for the dispute. The Member and Cascade shall make a good faith effort to resolve such dispute. If the Member fails to remit payment of the invoice in full pending resolution of the dispute, the prevailing party in an action relating to the collection of that invoice shall be entitled to reasonable attorney fees and costs.

Section 7.8.2 Default and Step-Up.

(a) If any Member fails to make any payment in full for more than fifty (50) days past the due date, Cascade shall make written demand upon that Member to make payment in full within ten (10) days of the date that the written demand is sent by Cascade. If the failure to pay is not cured within the ten (10) day period, the Member shall be deemed to be in default.

(b) Upon an event of default as described in subsection 7.8.2(a), the other Members shall pay Cascade (in addition to Member Charges otherwise due) the defaulting Member's Member Charges in proportion to each remaining Members' Demand Share in accordance with a schedule established by Resolution of the Board.

(c) The payment of a proportionate share of the existing defaulted Member's Member Charges by Members shall not relieve the defaulting Member of its liability for those payments. Cascade shall have a right of recovery from the defaulting Member on behalf of each Member. Cascade may commence such suits, actions or proceedings at law or in equity, including but not limited to, suits for specific performance, as may be necessary or appropriate to enforce the obligations of this Agreement against any defaulting Member. Cascade's right to enforce payments in this regard may be assigned to a treasurer, trustee, credit enhancement provider or other entity. Amounts recovered by Cascade as payment of amounts due shall be passed through to each Member in proportion to the share that each assumed, in cash or in credit, against future Member Charges as the Board shall determine.

(d) The prevailing party in any such suit, action or proceeding, shall be entitled to recover its reasonable attorney fees and costs.

ARTICLE 8. Planning.

Section 8.1 Water Supply Plan. Cascade must plan for its Members' water supply needs. That planning shall be compatible with the equivalent planning responsibilities of other wholesale water

providers and with state, county and city planning responsibilities under state law. The Board must adopt, and may from time to time amend, a Water Supply Plan that must be based on no less than a twenty- (20) year planning horizon. Cascade shall coordinate its planning effort with local and regional utilities and other appropriate agencies and work to encourage cooperative region-wide planning and coordination.

Each Member shall actively participate in Cascade's water supply planning and shall provide to Cascade accurate data regarding its facilities and operations together with good faith estimates of future needs and a description of any involvement in the development of new Independent Supplies. Each Member's water comprehensive or system plan shall be consistent with any plans adopted by Cascade, and shall be consistent with applicable requirements of state law and comprehensive plans.

Section 8.2 Watershed Management Plan. Upon the effective date of formation of the Authority under Article 3 of this Agreement, Cascade will no longer be a Watershed Partnership under RCW 39.34; and any Watershed Management Plans existing on the effective date shall become the plans of the Authority. Nothing herein shall limit Cascade's powers to adopt Watershed Management Plans or to enter into interlocal agreements thereafter.

Section 8.3 System Reliability Methodology. Cascade shall develop and adopt a system reliability methodology for planning, operation, and management purposes.

ARTICLE 9. Duration and Dissolution; Withdrawal.

Section 9.1 Duration. Except as provided in Section 9.3, Cascade shall remain in existence for the longer of the following: (a) the period it holds any assets; (b) the period during which Bonds are outstanding; or (c) the period it continues to include Members.

Section 9.2 Withdrawals. A Member may notify Cascade of its intent to withdraw by delivery to Cascade of a Resolution of its legislative authority expressing such intent. Upon receipt of such Resolution, the Member shall lose its right to vote and the Board shall determine (a) the withdrawing Member's allocable share of the cost of the then-existing obligations of Cascade; and (b) the withdrawing Member's obligations to Cascade. "Then-existing obligations of Cascade" means obligations or costs incurred by Cascade as of the date the Member's withdrawal notice is received, including but not limited to, Bond obligations, contract obligations, and cash financed capital projects; provided that a withdrawing Member's allocable share shall in no event include an obligation for future expenses for which Cascade has not incurred a legal obligation; and provided further, that to the extent the Member's obligation (with respect to such costs) is re-paid over time, the Member shall be entitled to a credit for supply abandoned by the Member and is otherwise used by Cascade. A "withdrawing Member's obligation to Cascade" includes but is not limited to, the Member's share of fixed operating costs, any other expenses contained in Cascade's adopted budget for that year, and any assessments or other similar charges lawfully imposed by Cascade. For purposes of the preceding sentence, "fixed operating costs" shall be determined in the year of withdrawal, and the Member's obligation with respect to such costs shall be limited only to that amount required to pay for supply abandoned by the Member and not otherwise used by Cascade.

The allocable share of cost or obligations shall be determined by the Board, taking into consideration as deemed applicable by the Board: (a) the ratio of the Member's Demand Share to total Member demand; (b) the ratio of the Member's contribution to Cascade revenue to total Cascade revenue including RCFCs; (c) the cost or a portion of the cost of capital projects or facilities specially benefiting the Member; and (d) and any other factor the Board deems appropriate to consider. The Member's withdrawal shall be effective on payment of such allocable share or provision for arrangements to pay such allocable share that are satisfactory to the Board. Until the effective date of withdrawal, the Member shall continue to comply with all applicable provisions of this Agreement.

Upon withdrawal, except as provided in an Asset Transfer Agreement, the withdrawing Member shall have no right to, or interest in any Water Supply Assets owned by Cascade. The withdrawing Member shall be deemed to have abandoned any and all rights to service, to the use of Cascade Water Supply Assets or other rights with respect to Cascade (except as otherwise expressly provided in this Agreement).

Notwithstanding the provisions of this Section 9.2, Cascade will, upon the withdrawal of a Member that has transferred operational control and management of (but not title to) an Independent Supply Asset to Cascade under Section 5.1, return operational control of such asset to the withdrawing Member. Return of operational control and management will be subject to: (a) continued use by Cascade, to the extent and for such time as the Board deems such use necessary for Cascade to continue providing service to its Members; and (b) payment or provision for payment of any Cascade costs, including but not limited to, those associated with the withdrawing Member's Independent Supply Asset.

The Board may establish additional generally applicable conditions and requirements for withdrawal.

Section 9.3 Disincorporation. Cascade may vote by a 65% Dual Majority Vote (as ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities), to disincorporate. Upon disincorporation except as provided in an Asset Transfer Agreement, Cascade's assets initially shall be held by its then current Members as tenants in common. Each Member's ownership interest must be based on that Member's Demand Share as of the time of the dissolution. Cascade's liabilities (including Bonds and other contractual obligations) initially shall be distributed based on Members Demand Shares as of the time of the disincorporation. Assets and liabilities must be distributed in accordance with agreement or contract, under a voluntary mediation process, or by a court of law. A court may appoint an arbitrator or special master. Distribution shall be based on the best interests of efficient and economic water supply in the entire area served by the Members, subject to a rebuttable presumption that Water Supply Assets will be returned to the Member that originally transferred them to Cascade. That presumption may be overcome by a showing that another asset distribution is in the best interests of efficient and economic water supply. The proceeds of any sale of assets must be distributed among the then current Members based on the Demand Shares at the time of disincorporation.

Section 9.4 Successor Entity. Notwithstanding the provisions of Section 9.3, upon a 65% Dual Majority Vote of the Board (as ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities), all assets, liabilities, and obligations of Cascade may be transferred to any successor entity (including without limitation, a joint operating agency or other municipal corporation, as permitted under state law), and all obligations of Members and parties contracting with Cascade become obligations to the successor entity.

ARTICLE 10. Amendments.

Amendments to this Agreement shall be effective upon approval by 65% Dual Majority Vote of the Board (as ratified within one hundred and twenty (120) days by 65% Dual Majority of the Members' legislative authorities).

ARTICLE 11. Applicable Law and Venue.

This Agreement is governed by the laws of the state of Washington. The venue for any legal action arising from a dispute under this Agreement is the Superior Court for King County.

ARTICLE 12. No Third Party Beneficiaries.

There are no third party beneficiaries to this Agreement except for the rights of Bond owners as provided in Section 5.3.2, no person or entity other than an agency signatory to this Agreement shall have any rights hereunder or any authority to enforce its provisions, and any such rights or enforcement must be consistent with and subject to the terms of this Agreement.

ARTICLE 13. Severability.

If any provision of this Agreement or its application is held by a court of competent jurisdiction to be illegal, invalid, or void, the validity of the remaining provisions of this Agreement or its application to other entities or circumstances shall not be affected. The remaining provisions continue in full force and effect, and the parties' rights and obligations must be construed and enforced as if the Agreement did not contain the particular invalid provision. But if the invalid provision or its application is found by a court of competent jurisdiction to be substantive and to render performance of the remaining provisions unworkable and infeasible, is found to seriously affect the consideration, and is inseparably connected to the remainder of the Agreement, the entire Agreement is deemed void.

ARTICLE 14. Entire Agreement.

This Agreement constitutes the entire and exclusive agreement between the parties relating to the specific matters covered in this Agreement. All prior or contemporaneous verbal or written agreements, understandings, representations or practices relative to the foregoing are superseded, revoked and rendered ineffective for any purpose. This Agreement may be altered, amended or revoked only as set forth in Article 10. No verbal agreement or implied covenant may be held to vary the terms of this Agreement, any statute, law, or custom to the contrary notwithstanding.

ARTICLE 15. Execution

This Agreement may be executed in one or more counterparts.

SIGNATORY AGENCY

CITY OF BELLEVUE

By: Brian Meyer

Title Deputy City Mgr Date: 6-6, 2012

Attest: Lori Miller

Title: Contract Admin Date: 6-6, 2012

Authorized by (Resolution or Ordinance): 8408

Date: 6/04/12, 2012

SIGNATORY AGENCY

CITY OF KIRKLAND

By: _____

Title _____ Date: _____, 2012

Attest: _____

Title: _____ Date: _____, 2012

Authorized by (Resolution or Ordinance): _____

Date: _____, 2012

SIGNATORY AGENCY

CITY OF TUKWILA

By: _____

Title _____ Date: _____, 2012

Attest: _____

Title: _____ Date: _____, 2012

Authorized by (Resolution or Ordinance): _____

Date: _____, 2012

SIGNATORY AGENCY

SAMMAMISH PLATEAU WATER & SEWER DISTRICT

By: _____

Title _____ Date: _____, 2012

Attest: _____

Title: _____ Date: _____, 2012

Authorized by (Resolution or Ordinance): _____

Date: _____, 2012

ATTACHMENT A

History of Joint Municipal Utilities Services Authority
2011 Legislation and Cascade Water Alliance

Convened by the Departments of Health and Ecology in 2010, more than 30 local governmental organizations that provide water, wastewater, stormwater and/or flood control services met to discuss the existing limitations on legal authority to provide services jointly to the public. The group heard from LOTT Clean Water Alliance of Olympia, WA and Cascade Water Alliance about their experience of "patching together" a legal framework for their organizations — an effort that proved to be costly and time consuming. Others stated that as more and more local utility agencies desire to organize into regional organizations, they continue to face challenges because of the lack of certainty regarding their ability to jointly exercise authority and/or the ambiguous status of intergovernmental entities created under the Interlocal Cooperation Act (Chap. 39.34 RCW).

Problems and unsettled questions that Cascade shared in common with other organizations included:

- The inability of organizations formed under the Interlocal Cooperation Act to enter into interlocal agreements (Cascade, as an interlocal agency, is itself unable to enter into interlocal agreements.),
- Extent to which governmental authorities and powers can be delegated to an interlocal agency,
- Transfer of ownership of property and water rights to interlocal agency from members,
- How to manage ownership of existing infrastructure and franchises by individual members when interlocal agency formed,
- How to coordinate existing Coordinated Water Services Plans of members and coordinate planning for interlocal agency,
- Confusion by third parties about authority and financial capability, independent of interlocal agency members, to fulfill requirements of local franchises,
- Ability to transfer and assignment of franchise agreements to and within organization,
- Confusion by third parties of interlocal agency public status for governmental immunities, indemnification, insurance, licensing and tax issues,
- Statutory authority for interlocal agency to qualify for grants from state, federal and local sources when those sources are limited to public agencies, or local units of governments,
- Public contracting, procurement, and surplus property requirements applicable to interlocal agency of mixed city-special district membership,
- Qualification as governmental agency for brokers and bond issuers,
- Ability of interlocal agency to be own treasurer,
- Ability to assess taxes, and fees, rates; potential for overlapping connection charges; question of rate structures and feeds for commercial development and existing customers,
- Tax exempt status of interlocal agency and exemption from excise tax on sale of property,
- Requirements for compliance with open government requirements (e.g. Open Public Meetings Act, the Public Records Act),
- Application of requirements of Ch. 24.03 RCW (WA Non Profit Corp Act) and Ch. 24.06 RCW (Nonprofit Misc. and Mutual Corp Act) to public interlocal agency,
- Ownership issues related to interlocal agency data produced for multiple members, and
- Status of employees of interlocal agency as public employees qualifying for public agency benefits.

Chapter 39.106 RCW

The 2011 Washington Legislature passed ESHB 1332, the Joint Municipal Utilities Service Act (the Act). The Act establishes an improved interlocal mechanism for cooperation among local government utilities that provide water, wastewater, stormwater and/or flood control services. The Act authorizes cities, towns, counties, and special purpose districts voluntarily to form an intergovernmental municipal corporation ("Authorities") that can provide services to those local utilities and their customers.

Cascade was actively involved in the drafting of the Act to assure that it was qualified to convert to an Authority under the Act and to assure that the above listed problems and questions were resolved.

The Act permits interlocal entities that are formed under Chapter 39.34 to become Authorities by filing amended or restated agreements that materially comply with the requirements of the Act. The Amended and Restated Interlocal Contract before the Board of the Cascade Water Alliance in Resolution 2012-06 complies with the requirements of the Act.

Steps for Cascade Water Alliance to convert to an Authority under the Act

1. Cascade Board votes in March 2012 to amend the Interlocal Contract (as amendment and restated on October 26, 2011) by 65% Dual Majority Vote to convert to an Authority under the Act. The new Agreement complies with the requirements of the Act.

2. Cascade Board amends Bylaws and CWAC provision to make consistent with the new Agreement in April 2012, effective upon completion of Step 3 and Step 4.

3. Member legislative authorities ratify amendment within 120 days of Step 4 by a 65% Dual Majority Vote.

4. Cascade staff and counsel file the Agreement with Secretary of State (effective date of Cascade as an Authority under the Act).

5. Cascade staff and counsel send notice to entities with whom Cascade has contracts and as required by bonds.

CASCADE WATER ALLIANCE

February 2012

Joint Municipal Utility Services Act Implementation

Cascade Water Alliance is formed as a watershed management partnership under the Interlocal Cooperation Act (Chapter 39.34 RCW), which creates challenges for issues like financing, procurement and agreements. As a result of the challenges, the Washington State Departments of Ecology and Health convened a group of water related utilities to address critical legal issues surrounding existing or forming regional organizations that deliver essential public services like water, sewer, stormwater and flood control. A statewide collaborative process involving more than 30 entities resulted the 2011 Legislature approving the Joint Municipal Utilities Services Act (Chapter 39.106 RCW) under which entities may organize to provide essential services to the public more efficiently and more cost effectively. Cascade is in the process of implementing the changes of moving from a watershed management partnership to a municipal corporation.

The Issue: Local governments like Cascade that provide water, wastewater, stormwater and/or flood control services know existing limited legal authority to operate jointly has created serious roadblocks to their ability to provide services to the public.

Why It's Important: With increasing frequency, local utility agencies are finding it beneficial and even necessary, to organize into regional organizations. Yet they continue to face challenges because of the lack of certainty regarding their ability to jointly exercise authority and/or the ambiguous status of intergovernmental entities created under the Interlocal Cooperation Act.

The Process: In early 2010, Cascade Water Alliance and LOTT Clean Water Alliance sought to clarify legal authorities, and sought legislative clarification on key questions facing such entities. These included: whether intergovernmental bodies organized as non-profit corporations are entirely public or retain some characteristics of private sector entities; whether interlocal agencies can themselves contract with additional governments under the Interlocal Cooperation Act; whether employees of intergovernmental entities are "public employees" eligible for participation in various pension and benefits programs; which public works, procurement and surplus property laws apply; what federal and state tax exemptions are available; and whether risk management responsibilities and protections for local governments apply to interlocal agencies.

The Result: The result was the Joint Municipal Utilities Services Act that focuses narrowly on addressing the issues listed above as they apply to municipal utilities. The measure facilitates provision of joint municipal utility services and does not expand the types of services provided by local governments or their utilities. Nothing in the act alters the underlying authority of the units of local governments that enter into agreements under the act or diminish in any way the authority of local governments to enter into agreements.

Next Steps: Cascade is beginning the process of covering from a watershed management partnership to a municipal corporation. The process includes a vote of the Cascade Board and its Member's Legislative authorities.

ATTACHMENT B

CASCADE WATER ALLIANCE
RESOLUTION NO. 2012-06

CASCADE
WATER ALLIANCE

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CASCADE WATER ALLIANCE,
A WASHINGTON NONPROFIT CORPORATION,
ADOPTING AN AMENDED AND RESTATED INTERLOCAL CONTRACT AND DIRECTING THE
CONVERSION OF CASCADE TO A JOINT MUNICIPAL UTILITY SERVICES AUTHORITY

WHEREAS, The Cascade Water Alliance (Cascade), is a Washington Nonprofit Corporation composed of municipal corporations and special purpose Municipal Corporations that are parties to an Interlocal Contract entered into under authority of the Interlocal Cooperation Act (Chapter 39.34 RCW) for the purpose of providing water supply to meet the growing demands of its Members; and

WHEREAS, Cascade was formed in April 1999, according to the terms of an Interlocal Contract (as amended in September 1999, November 2002, December 2004 and October 2011); and under the Interlocal Contract, Cascade was created as a public body and an instrumentality of its Members, which exercises essential governmental functions on its Members' behalf as authorized by the Interlocal Cooperation Act (Chapter 39.34 RCW), and has been functioning as a watershed management partnership, as authorized by RCW 39.34.200. Cascade was incorporated as a public nonprofit corporation in the manner set forth in the Nonprofit Miscellaneous and Mutual Corporations Act (Chapter 24.06 RCW); and

WHEREAS, Section 3.3 of the Interlocal Contract provides that Cascade may be converted into a separate municipal corporation if and as permitted by law, and that upon the creation of such a separate municipal corporation, all Cascade rights and obligations and all Member rights and obligations shall transfer to that new municipal corporation. Section 10.4 of the Interlocal Contact provides that upon a 66 percent Dual Majority Vote as ratified within 120 days by a 65 percent Dual Majority of the Members' legislative authorities, all assets, liabilities, and obligations of Cascade may be transferred to any successor entity (including, without limitation, a joint operating agency or other municipal corporation, as permitted under state law), and all obligations of Members and parties contracting with Cascade become obligations to the successor entity; and

WHEREAS, in 2011 the Washington Legislature enacted the Joint Municipal Utilities Services Act, codified as Chapter 39.106 RCW ("the Act"), which provides in RCW 39.106.080 for the conversion of existing an intergovernmental entity formed under the Interlocal Cooperation Act (Chapter 39.34 RCW) into a joint municipal utility services authority under the Act, if: the public agencies that are parties to an existing interlocal agreement would otherwise

be eligible to form an authority to provide the relevant utility services; those public agencies amend, restate, or replace that interlocal agreement so that it materially complies with the requirements of RCW 39.106.050; the amended, restated, or replacement agreement is filed with the Washington state secretary of state consistent with RCW 39.106.030; and the amended, restated, or replacement agreement expressly provides that all rights and obligations of the entity formerly existing under Chapter 39.34 RCW or other applicable law will thereafter be the obligations of the new authority created under Chapter 39.106 RCW.

Whereas, upon compliance with the requirements of Chapter 39.106 RCW set forth above, the new joint municipal utility services authority shall be a successor of the former intergovernmental entity for all purposes, and all rights and obligations of the former entity shall transfer to the new joint municipal utility services authority. Those obligations shall be treated as having been incurred, entered into, or issued by the new joint municipal utility services authority and those obligations shall remain in full force and effect and shall continue to be enforceable in accordance with their terms; and

WHEREAS, in accordance with Sections 3.3 and 10.4 of the Interlocal Contract, Cascade's Members (who are all public agencies that are parties to an existing interlocal agreement) are otherwise eligible to form a joint municipal utility services authority under the Act to provide the relevant utility services; and

WHEREAS, Cascade's Members intend to amend and restate the Interlocal Contract in compliance with the Act in order to convert Cascade into a joint municipal utility services authority; and

WHEREAS, Cascade's Members intend to transfer all Cascade rights, assets, liabilities, and obligations to the joint municipal utility services authority, to be created as provided herein; and

WHEREAS, Cascade's Members intend that, as a joint municipal utility services authority, it will constitute a municipal corporation and will no longer function as a watershed management partnership; and

WHEREAS, an amendment to the Interlocal Contract requires a 65% Dual Majority Vote (ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities).

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CASCADE WATER ALLIANCE as follows:

Section 1. Amendment to Interlocal Contract. The Board approves and adopts the March 28, 2012 Amended and Restated Interlocal Contract, in the form attached, to be known as the "Cascade Water Alliance Joint Municipal Utility Services Agreement" or

"Agreement" and directs the Chair and the Chief Executive Officer to distribute the Agreement for ratification by Members' legislative authorities.

Section 2. Formation. *The Board directs the Chief Executive Officer to file the Agreement with the Washington state secretary of state consistent with RCW 39.106.030 and to take any and all other necessary steps to convert Cascade and to administer Cascade as a Joint Municipal Utility Services Authority.*

Section 3. Effective Date.

This Resolution shall be in full force and effect on the date of its adoption.

ADOPTED AND APPROVED by the Board of Directors of the Cascade Water Alliance at a regular meeting thereof, held on the 28th day of March 2012.

CASCADE WATER ALLIANCE

John Marchione, Chair

Attest – Chuck Clarke, Chief Executive Officer

David Knight, Vice Chair

Jim Haggerton, Secretary/Treasurer

Members
Yes 8
No 0

Demand Share
Yes 100 %
No 0 %

Include in CWAC?
☒ Yes
☐ No

Cascade Water Alliance
Interlocal Agreement Table Proposed Policy Changes

	Language of Proposed Policy Change (given font as shown on Table version of Amendments)	Notes
Page 9	**Article 2. Definitions.**	
	"Full Supply Commitment" or "Full Supply" for any or all of a Member's water needs means that those needs, as projected in the ~~Member's lawfully adopted water supply plan~~ Cascade Water Supply Plan and as agreed to by that Member, shall be met from the Supply System, net of ~~independent supply~~Independent Supply and subject to the other limitations established in this ~~agreement~~Agreement, on an equal parity with all other Full Supply Commitments, and with a guaranteed priority no lower than for any other Supply Commitment made by Cascade; provided that no Member is guaranteed any given amount of supply or capacity.	Recognizes that Cascade now provides and uses demand projections for its service area
Page 12	**Section 3.4 Purposes.**	
	Cascade's purposes include ~~only~~ those related to water resources, or any other utility service as allowed under the Act, as authorized by a unanimous vote of the Board, and do not include the provision of other general services to the public, and are to:	Allows the Board to determine purposes - as allowed under RCW 39.106
Pages 14-15	**Section 3.5 Powers.**	
	f. for purposes of a Cascade code of ethics, exercise all powers of a municipal corporation and observe the requirements under Chapter 42.23 RCW, now or as hereafter amended.	Clarifies governing ethics code as RCW 42.23 (Muni) rather than RCW 42.52 (State)
Page 15	**Section 4.3 Voting.** All Board actions must be approved by Dual Majority Vote of all Members, except where this ~~Contract~~Agreement requires either a 65% Dual Majority Vote, as provided in Sections 4.7, ~~5.2~~, 5.5, ~~7.1~~, 7.3, ~~9.2~~, ~~10.3~~, 10.4, and Article 11; or ratification by the Members' legislative authority, as provided in ~~Section~~Sections 10.3 and 10.4 and Article 11.	Encompasses committee discussion on changes to requirement for 65% Dual Majority Vote
Page 16	**Section 4.5 Executive Committee.**	
	The Chair, Vice Chair, Secretary, and Treasurer ~~and chairpersons of Standing Committees together~~shall constitute Cascade's Executive Committee. The Chair (or acting Chair) shall vote on matters before the Executive Committee only if necessary to break a tie. The Executive Committee's duties and responsibilities are set forth in the ByLaws.	Streamlines the Exec Comm membership to facilitate ability to meet
Page 17	**Section 4.8 Staff, Consultants and Contractors.**	
	Cascade staff shall consist of a chief executive officer and other positions established by resolution of the Board. The Board shall appoint, designate the title of, and establish the compensation range of the chief executive officer. The Board shall hire or ~~retain legal counsel and independent accountants and auditors for Cascade. The authority to hire other consultants may be delegated to the Executive Committee.~~ The chief executive officer ~~appoints persons to fill other staff positions~~ may hire all other staff and consultants, and those appointments may be subject to ratification by the Board or the Executive Committee if the ByLaws so provide. The Board may also	Streamlines hiring process, except for auditor which will remain Board hiring function

	Language of Proposed Policy Change (green font as shown on Table version of Amendments)	Notes
	provide that administrative, professional or technical services be performed by contract.	
Page 18	**Section 5.2.1 Commitment to Members.**	
	Beginning on the Cascade Supply Date, Cascade shall provide a ~~Full~~ Supply Commitment to each Founding Member. ~~Thereafter,~~ Cascade shall provide a Full Supply Commitment to ~~meet all current and future water supply needs of~~ a Member that joins with Water Supply Assets sufficient to provide for its needs during the following fifteen (15) years (whether or not those Water Supply Assets are transferred to Cascade or retained as Independent Supply.)	Deletion of "Full" accurately describes steps with membership supply
Page 24	**Section 5.5 Regional Capital Facilities Charges.**	
	RCFCs shall be calculated according to the RCFC Methodology, which shall define the analytical steps required to calculate the RCFCs ~~according to the greater of: (a) the incremental difference between the average unit cost of expanding the system (i.e., the marginal cost of new capacity) and the average unit cost of the existing system; or (b)~~ the average unit cost of past construction of the existing system plus ~~then planned~~ the Supply System improvements planned at the time of the calculation.	In practice, (a) has not been used because it has proven problematic, as it relies heavily on subjective assumptions about timeframe, costs to be included and capacity provided.
Page 26	**Section 7.1 Asset Management.**	
	Cascade must manage the Supply System in compliance with applicable laws, regulations and Cascade's minimum service standards. ~~Adoption and amendments to the minimum service standards shall require a 65% Dual Majority Vote.~~	Removed 65% Dual Majority Vote.
Page 28	**Section 7.5 Water Supply Rates and Charges.**	
	Cascade may sell water to a Non-Member under terms and conditions established by the Board. ~~The terms and conditions shall not be more favorable than the terms and conditions under which water is sold to Members.~~ Revenue received from the sale of water to Non-Members shall be used to offset or reduce Rates and Charges to Members to the extent practicable, except that such revenue need not be treated as reducing or offsetting those amounts that are necessary for the payment of debt service on Bonds and for the provision of reserve and coverage requirements for the Bonds.	Removing limitation intended for founding membership; future transactions may be of benefit to Cascade and its members under differing terms and conditions.
Page 32	**Section 8.3 System Reliability Methodology.**	
	Cascade shall develop and adopt a system reliability methodology for planning, operation and management purposes. ~~Adoption and amendments to the system reliability methodology shall require a 65% Dual Majority Vote.~~	Removes 65% Dual Majority Vote requirement.
Page 34	**Section 10.3 Disincorporation.**	
	Cascade may ~~be dissolved~~ vote by a 65% Dual Majority Vote (as ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities), to disincorporate. Upon dissolution, disincorporation except as provided in an Asset Transfer Agreement, Cascade's assets initially shall be held by its then current Members as tenants in common.	Adds ratification requirement.

2664-RES
5/30/2012

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8408

A RESOLUTION authorizing and directing the City Manager to execute the Amended and Restated Cascade Water Alliance Interlocal Contract.

WHEREAS, the Cascade Water Alliance (Cascade) was formed in April 1999 pursuant to an Interlocal Contract for the purpose of providing water supply to meet the growing demands of its members, including the City of Bellevue; and

WHEREAS, the Board of Directors of Cascade passed a resolution for the purpose of adopting amendments to the Interlocal Contract in November, 2002; and

WHEREAS, the Amended and Restated Interlocal Contract establishes an overall structure and core principles for the relationship between Cascade and its members and provides flexibility to Cascade to accomplish its mission; and

WHEREAS, supporting the Interlocal Contract begins to fully implement Cascade's role which includes; 1) establishing Cascade as the fourth major water supply agency in the region; 2) creating a regional organization representing Eastside interests; and 3) allowing Bellevue and other Cascade members the ability to determine their own water supply future; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is authorized and directed to execute the Amended and Restated Cascade Water Alliance Interlocal Contract, a copy of which Contract has been given Clerk's Receiving No. _____.

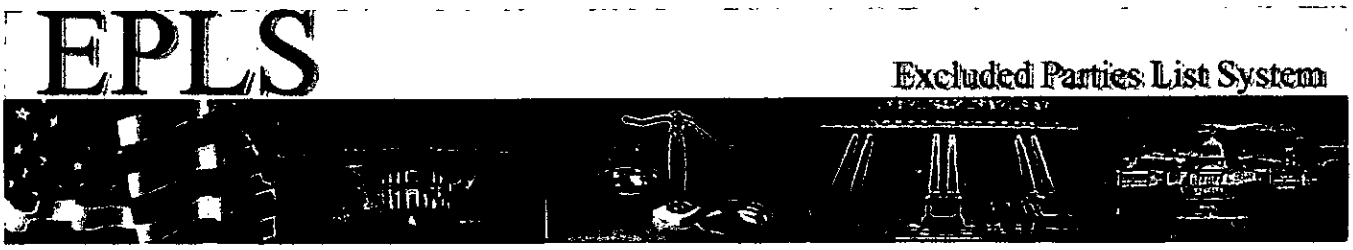
Passed by the City Council this _____ day of _____, 2012, and signed in authentication of its passage this _____ day of _____, 2012.

(SEAL)

_____
Conrad Lee, Mayor

Attest:

_____
Myrna L. Basich, City Clerk



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ORIGINAL

2664-RES
5/30/2012

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8408

A RESOLUTION authorizing and directing the City Manager to execute the Amended and Restated Cascade Water Alliance Interlocal Contract.

WHEREAS, the Cascade Water Alliance (Cascade) was formed in April 1999 pursuant to an Interlocal Contract for the purpose of providing water supply to meet the growing demands of its members, including the City of Bellevue; and

WHEREAS, the Board of Directors of Cascade passed a resolution for the purpose of adopting amendments to the Interlocal Contract in November, 2002; and

WHEREAS, the Amended and Restated Interlocal Contract establishes an overall structure and core principles for the relationship between Cascade and its members and provides flexibility to Cascade to accomplish its mission; and

WHEREAS, supporting the Interlocal Contract begins to fully implement Cascade's role which includes; 1) establishing Cascade as the fourth major water supply agency in the region; 2) creating a regional organization representing Eastside interests; and 3) allowing Bellevue and other Cascade members the ability to determine their own water supply future; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is authorized and directed to execute the Amended and Restated Cascade Water Alliance Interlocal Contract, a copy of which Contract has been given Clerk's Receiving No. 48865.

Passed by the City Council this 4th day of June, 2012, and signed in authentication of its passage this 4th day of June, 2012.

(SEAL)

Conrad Lee

Conrad Lee, Mayor

Attest:

Michelle Murphy for:

Myrna L. Basich, City Clerk

Item No. 8(e)
June 4, 2012

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT
Resolution No. 8409 authorizing and directing the City Manager to execute the Amended and Restated Cascade Water Alliance Interlocal Contract.

FISCAL IMPACT
There is no fiscal impact from the proposed amendments to Cascade's Interlocal Contract.

STAFF CONTACT
Nav Otal, Director 452-2041
Alison Bennett, Policy Advisor 452-2808
Utilities Department

POLICY CONSIDERATION
The Cascade Water Alliance Board adopted amendments to its Interlocal Contract in order to convert the organization to a joint municipal services authority under state law. Amendments to the Interlocal must be ratified by individual member agencies by July 26, 2012. The Council received a briefing on the amendments on May 29, 2012.

BACKGROUND
Cascade Water Alliance was formed as a "watershed management partnership" under the state Interlocal Cooperation Act and operates as a public nonprofit corporation. This legal status creates challenges for issues like financing, procurement and agreements. In order to streamline operations and bring certainty to Cascade's legal requirements and relationships for bonding agencies, insurers and other state and local agencies, Cascade worked with the Departments of Health and Ecology to convene a group of water-related entities to address issues surrounding forming and operating regional organizations that provide water, sewer, stormwater and flood control services. A statewide collaborative process involving more than 30 entities resulted in the passage of the Joint Municipal Utilities Services Act (JMUSA) in the 2011 state legislative session which provides for the conversion of an existing intergovernmental entity formed under the Interlocal Cooperation Act into a joint municipal services authority. More background on the issues that prompted JMUSA is provided in **Attachment A**.

On March 28, 2012, the Cascade Board adopted amendments to its Interlocal Contract in order to accomplish the conversion to a joint municipal services authority (see **Attachment B** for the Cascade Resolution). The new Cascade joint municipal utility services authority will be the successor to the former entity for all purposes and will be a municipal corporation. Amendments to the Interlocal Contract must be ratified by a 65% Dual Majority vote (a 65% supermajority of the number of Members, together with a 65% supermajority of Members based on each Member's weighted vote) of Members' legislative authorities within 120 days of the Board vote.

Most of the amendments are straightforward and streamline the agreement to allow for the conversion to the joint authority. For the most part, the amendments clarify but do not expand Cascade's existing authorities. For example, Cascade will be able to specify the applicable laws and statutes for public

works and procurement, surplus property, budgeting, borrowing, personnel and other issues. All the members, including Bellevue, have had the opportunity to seek City Attorney review of the document and have had questions and comments addressed by Cascade's legal counsel.

Cascade's legal counsel has identified a list of amendments that are considered more of a policy change than a housekeeping change. These are included in **Attachment C**. It is important to highlight one amendment that was included at the request of many Board members: This is the change to the "Purposes" section and allows expansion of Cascade's purposes from just "water resources" to "water resources and any other utility service as allowed under the Act [Joint Municipal Utility Services Act], as authorized by a unanimous vote of the Board." Note that this is limited to JMUSA – municipal utility water, sewer, stormwater and flood control services – and does not include other general government functions. The section has been drafted with a high bar, recognizing that such an undertaking would *only be entered into if all Members agreed.*

As noted above, implementation requires ratification within 120 days (by July 26, 2012) by a 65% dual majority (a 65% supermajority of the number of Members, together with a 65% supermajority of Members based on each Member's weighted vote) of Members' legislative authorities.

EFFECTIVE DATE

If approved, this Resolution becomes effective immediately upon Council adoption.

OPTIONS

1. Adopt Resolution No. 8409 authorizing and directing the City Manager to execute the Amended and Restated Cascade Water Alliance Interlocal Contract.
2. Do not adopt Resolution No. 8409.

RECOMMENDATION

Option 1: Adopt Resolution No. 8409 authorizing and directing the City Manager to execute the Amended and Restated Cascade Water Alliance Interlocal Contract.

MOTION

Move to adopt Resolution No. 8409 authorizing and directing the City Manager to execute the Amended and Restated Cascade Water Alliance Interlocal Contract.

ATTACHMENTS

A. Joint Municipal Utility Services Act Background Papers
B. Cascade Water Alliance Resolution No. 2012-06
C. Interlocal Agreement Table Proposed Policy Changes
Proposed Resolution No. 8409

AVAILABLE IN COUNCIL OFFICE

Cascade Water Alliance Joint Municipal Utility Services Agreement, dated March 28, 2012
Table showing amendments with notes explaining each change

ATTACHMENT A

History of Joint Municipal Utilities Services Authority
2011 Legislation and Cascade Water Alliance

Convened by the Departments of Health and Ecology in 2010, more than 30 local governmental organizations that provide water, wastewater, stormwater and/or flood control services met to discuss the existing limitations on legal authority to provide services jointly to the public. The group heard from LOTT Clean Water Alliance of Olympia, WA and Cascade Water Alliance about their experience of "patching together" a legal framework for their organizations — an effort that proved to be costly and time consuming. Others stated that as more and more local utility agencies desire to organize into regional organizations, they continue to face challenges because of the lack of certainty regarding their ability to jointly exercise authority and/or the ambiguous status of intergovernmental entities created under the Interlocal Cooperation Act (Chap. 39.34 RCW).

Problems and unsettled questions that Cascade shared in common with other organizations included:

- The inability of organizations formed under the Interlocal Cooperation Act to enter into interlocal agreements (Cascade, as an interlocal agency, is itself unable to enter into interlocal agreements.),
- Extent to which governmental authorities and powers can be delegated to an interlocal agency,
- Transfer of ownership of property and water rights to interlocal agency from members,
- How to manage ownership of existing infrastructure and franchises by individual members when interlocal agency formed,
- How to coordinate existing Coordinated Water Services Plans of members and coordinate planning for interlocal agency,
- Confusion by third parties about authority and financial capability, independent of interlocal agency members, to fulfill requirements of local franchises,
- Ability to transfer and assignment of franchise agreements to and within organization,
- Confusion by third parties of interlocal agency public status for governmental immunities, indemnification, insurance, licensing and tax issues,
- Statutory authority for interlocal agency to qualify for grants from state, federal and local sources when those sources are limited to public agencies, or local units of governments,
- Public contracting, procurement, and surplus property requirements applicable to interlocal agency of mixed city-special district membership,
- Qualification as governmental agency for brokers and bond issuers,
- Ability of interlocal agency to be own treasurer,
- Ability to assess taxes, and fees, rates; potential for overlapping connection charges; question of rate structures and feeds for commercial development and existing customers,
- Tax exempt status of interlocal agency and exemption from excise tax on sale of property,
- Requirements for compliance with open government requirements (e.g. Open Public Meetings Act, the Public Records Act),
- Application of requirements of Ch. 24.03 RCW (WA Non Profit Corp Act) and Ch. 24.06 RCW (Nonprofit Misc. and Mutual Corp Act) to public interlocal agency,
- Ownership issues related to interlocal agency data produced for multiple members, and
- Status of employees of interlocal agency as public employees qualifying for public agency benefits.

Chapter 39.106 RCW

The 2011 Washington Legislature passed ESHB 1332, the Joint Municipal Utilities Service Act (the Act). The Act establishes an improved interlocal mechanism for cooperation among local government utilities that provide water, wastewater, stormwater and/or flood control services. The Act authorizes cities, towns, counties, and special purpose districts voluntarily to form an intergovernmental municipal corporation ("Authorities") that can provide services to those local utilities and their customers.

Cascade was actively involved in the drafting of the Act to assure that it was qualified to convert to an Authority under the Act and to assure that the above listed problems and questions were resolved.

The Act permits interlocal entities that are formed under Chapter 39.34 to become Authorities by filing amended or restated agreements that materially comply with the requirements of the Act. The Amended and Restated Interlocal Contract before the Board of the Cascade Water Alliance in Resolution 2012-06 complies with the requirements of the Act.

Steps for Cascade Water Alliance to convert to an Authority under the Act

1. Cascade Board votes in March 2012 to amend the Interlocal Contract (as amendment and restated on October 26, 2011) by 65% Dual Majority Vote to convert to an Authority under the Act. The new Agreement complies with the requirements of the Act.

2. Cascade Board amends Bylaws and CWAC provision to make consistent with the new Agreement in April 2012, effective upon completion of Step 3 and Step 4.

3. Member legislative authorities ratify amendment within 120 days of Step 4 by a 65% Dual Majority Vote.

4. Cascade staff and counsel file the Agreement with Secretary of State (effective date of Cascade as an Authority under the Act).

5. Cascade staff and counsel send notice to entities with whom Cascade has contracts and as required by bonds.

February 2012

Joint Municipal Utility Services Act Implementation

Cascade Water Alliance is formed as a watershed management partnership under the Interlocal Cooperation Act (Chapter 39.34 RCW), which creates challenges for issues like financing, procurement and agreements. As a result of the challenges, the Washington State Departments of Ecology and Health convened a group of water related utilities to address critical legal issues surrounding existing or forming regional organizations that deliver essential public services like water, sewer, stormwater and flood control. A statewide collaborative process involving more than 30 entities resulted the 2011 Legislature approving the Joint Municipal Utilities Services Act (Chapter 39.106 RCW) under which entities may organize to provide essential services to the public more efficiently and more cost effectively. Cascade is in the process of implementing the changes of moving from a watershed management partnership to a municipal corporation.

The Issue: Local governments like Cascade that provide water, wastewater, stormwater and/or flood control services know existing limited legal authority to operate jointly has created serious roadblocks to their ability to provide services to the public.

Why It's Important: With increasing frequency, local utility agencies are finding it beneficial and even necessary, to organize into regional organizations. Yet they continue to face challenges because of the lack of certainty regarding their ability to jointly exercise authority and/or the ambiguous status of intergovernmental entities created under the Interlocal Cooperation Act.

The Process: In early 2010, Cascade Water Alliance and LOTT Clean Water Alliance sought to clarify legal authorities, and sought legislative clarification on key questions facing such entities. These included: whether intergovernmental bodies organized as non-profit corporations are entirely public or retain some characteristics of private sector entities; whether interlocal agencies can themselves contract with additional governments under the Interlocal Cooperation Act; whether employees of intergovernmental entities are "public employees" eligible for participation in various pension and benefits programs; which public works, procurement and surplus property laws apply; what federal and state tax exemptions are available; and whether risk management responsibilities and protections for local governments apply to interlocal agencies.

The Result: The result was the Joint Municipal Utilities Services Act that focuses narrowly on addressing the issues listed above as they apply to municipal utilities. The measure facilitates provision of joint municipal utility services and does not expand the types of services provided by local governments or their utilities. Nothing in the act alters the underlying authority of the units of local governments that enter into agreements under the act or diminish in any way the authority of local governments to enter into agreements.

Next Steps: Cascade is beginning the process of covering from a watershed management partnership to a municipal corporation. The process includes a vote of the Cascade Board and its Member's Legislative authorities.

ATTACHMENT B

CASCADE WATER ALLIANCE
RESOLUTION NO. 2012-06

CASCADE
WATER ALLIANCE

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CASCADE WATER ALLIANCE,
A WASHINGTON NONPROFIT CORPORATION,
ADOPTING AN AMENDED AND RESTATED INTERLOCAL CONTRACT AND DIRECTING THE
CONVERSION OF CASCADE TO A JOINT MUNICIPAL UTILITY SERVICES AUTHORITY

WHEREAS, The Cascade Water Alliance (Cascade), is a Washington Nonprofit Corporation composed of municipal corporations and special purpose Municipal Corporations that are parties to an Interlocal Contract entered into under authority of the Interlocal Cooperation Act (Chapter 39.34 RCW) for the purpose of providing water supply to meet the growing demands of its Members; and

WHEREAS, Cascade was formed in April 1999, according to the terms of an Interlocal Contract (as amended in September 1999, November 2002, December 2004 and October 2011); and under the Interlocal Contract, Cascade was created as a public body and an instrumentality of its Members, which exercises essential governmental functions on its Members' behalf as authorized by the Interlocal Cooperation Act (Chapter 39.34 RCW), and has been functioning as a watershed management partnership, as authorized by RCW 39.34.200. Cascade was incorporated as a public nonprofit corporation in the manner set forth in the Nonprofit Miscellaneous and Mutual Corporations Act (Chapter 24.06 RCW); and

WHEREAS, Section 3.3 of the Interlocal Contract provides that Cascade may be converted into a separate municipal corporation if and as permitted by law, and that upon the creation of such a separate municipal corporation, all Cascade rights and obligations and all Member rights and obligations shall transfer to that new municipal corporation. Section 10.4 of the Interlocal Contact provides that upon a 65 percent Dual Majority Vote as ratified within 120 days by a 65 percent Dual Majority of the Members' legislative authorities, all assets, liabilities, and obligations of Cascade may be transferred to any successor entity (including, without limitation, a joint operating agency or other municipal corporation, as permitted under state law), and all obligations of Members and parties contracting with Cascade become obligations to the successor entity; and

WHEREAS, in 2011 the Washington Legislature enacted the *Joint Municipal Utilities Services Act*, codified as Chapter 39.106 RCW ("the Act"), which provides in RCW 39.106.080 for the conversion of existing an intergovernmental entity formed under the Interlocal Cooperation Act (Chapter 39.34 RCW) into a joint municipal utility services authority under the Act, if: the public agencies that are parties to an existing interlocal agreement would otherwise

be eligible to form an authority to provide the relevant utility services; those public agencies amend, restate, or replace that interlocal agreement so that it materially complies with the requirements of RCW 39.106.050; the amended, restated, or replacement agreement is filed with the Washington state secretary of state consistent with RCW 39.106.030; and the amended, restated, or replacement agreement expressly provides that all rights and obligations of the entity formerly existing under Chapter 39.34 RCW or other applicable law will thereafter be the obligations of the new authority created under Chapter 39.106 RCW.

Whereas, upon compliance with the requirements of Chapter 39.106 RCW set forth above, the new joint municipal utility services authority shall be a successor of the former intergovernmental entity for all purposes, and all rights and obligations of the former entity shall transfer to the new joint municipal utility services authority. Those obligations shall be treated as having been incurred, entered into, or issued by the new joint municipal utility services authority and those obligations shall remain in full force and effect and shall continue to be enforceable in accordance with their terms; and

WHEREAS, in accordance with Sections 3.3 and 10.4 of the Interlocal Contract, Cascade's Members (who are all public agencies that are parties to an existing interlocal agreement) are otherwise eligible to form a joint municipal utility services authority under the Act to provide the relevant utility services; and

WHEREAS, Cascade's Members intend to amend and restate the Interlocal Contract in compliance with the Act in order to convert Cascade into a joint municipal utility services authority; and

WHEREAS, Cascade's Members intend to transfer all Cascade rights, assets, liabilities, and obligations to the joint municipal utility services authority, to be created as provided herein; and

WHEREAS, Cascade's Members intend that, as a joint municipal utility services authority, it will constitute a municipal corporation and will no longer function as a watershed management partnership; and

WHEREAS, an amendment to the Interlocal Contract requires a 65% Dual Majority Vote (ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities).

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CASCADE WATER ALLIANCE as follows:

Section 1. Amendment to Interlocal Contract. The Board approves and adopts the March 28, 2012 Amended and Restated Interlocal Contract, in the form attached, to be known as the "Cascade Water Alliance Joint Municipal Utility Services Agreement" or

"Agreement" and directs the Chair and the Chief Executive Officer to distribute the Agreement for ratification by Members' legislative authorities.

Section 2. Formation. The Board directs the Chief Executive Officer to file the Agreement with the Washington state secretary of state consistent with RCW 39.106.030 and to take any and all other necessary steps to convert Cascade and to administer Cascade as a Joint Municipal Utility Services Authority.

Section 3. Effective Date.

This Resolution shall be in full force and effect on the date of its adoption.

ADOPTED AND APPROVED by the Board of Directors of the Cascade Water Alliance at a regular meeting thereof, held on the 28th day of March 2012.

CASCADE WATER ALLIANCE

John Marchione, Chair

David Knight, Vice Chair

Jim Haggerton, Secretary/Treasurer

Attest – Chuck Clarke, Chief Executive Officer

Members
Yes 8
No 0

Demand Share
Yes 100 %
No 0 %

Include in CWAC?
☒ Yes
☐ No

Cascade Water Alliance
Interlocal Agreement Table Proposed Policy Changes

	Language of Proposed Policy Change (green font as shown on Table version of Amendments)	Notes
Page 9	**Article 2. Definitions.** **"Full Supply Commitment" or "Full Supply"** for any or all of a Member's water needs means that those needs, as projected in the ~~Member's lawfully adopted water supply plan~~ Cascade Water Supply Plan and as agreed to by that Member, shall be met from the Supply System, net of ~~independent supply~~Independent Supply and subject to the other limitations established in this agreement~~Agreement~~, on an equal parity with all other Full Supply Commitments, and with a guaranteed priority no lower than for any other Supply Commitment made by Cascade; provided that no Member is guaranteed any given amount of supply or capacity.	Recognizes that Cascade now provides and uses demand projections for its service area
Page 12	**Section 3.4 Purposes.** *Cascade's purposes include ~~only those~~ related to water resources, or any other utility service as allowed under the Act, as authorized by a unanimous vote of the Board,* and do not include the provision of other general services to the public, and are to:	Allows the Board to determine purposes - as allowed under RCW 39.106
Pages 14-15	**Section 3.5 Powers.** *i. for purposes of a Cascade code of ethics, exercise all powers of a municipal corporation and observe the requirements under Chapter 42.23 RCW, now or as* hereafter amended.	Clarifies governing ethics code as RCW 42.23 (Muni) rather than RCW 42.52 (State)
Page 15	**Section 4.3 Voting.** All Board actions must be approved by Dual Majority Vote of all Members, except where this ~~Contract~~Agreement requires either a 65% Dual Majority Vote, as provided in Sections 4.7, ~~5.2~~, 5.5, ~~7.1~~, 7.3, ~~8.3~~, ~~10.3~~, 10.4, and Article 11; or *ratification by the Members' legislative authority, as provided in ~~Section~~Sections 10.3 and* 10.4 and Article 11.	Encompasses committee discussion on changes to requirement for 65% Dual Majority Vote
Page 16	**Section 4.5 Executive Committee.** The Chair, Vice Chair, Secretary, and Treasurer ~~and chairpersons of Standing Committees together~~shall constitute Cascade's Executive Committee. The Chair (or acting Chair) shall vote on matters before the Executive Committee only if necessary to break a tie. The Executive Committee's duties and responsibilities are set forth in the ByLaws.	Streamlines the Exec Comm membership to facilitate ability to meet
Page 17	**Section 4.6 Staff, Consultants and Contractors.** Cascade staff shall consist of a chief executive officer and other positions established by resolution of the Board. The Board shall appoint, designate the title of, and establish the compensation range of the chief executive officer. The Board shall hire or ~~retain legal counsel and independent accountants and auditors for Cascade. The authority to hire other consultants may be delegated to the Executive Committee.~~ The chief executive officer ~~appoints persons to fill other staff positions~~ may hire all other staff and consultants, and those appointments may be subject to ratification by the Board or the Executive Committee if the ByLaws so provide. The Board may also	Streamlines hiring process, except for auditor which will remain Board hiring function

	Language of Proposed Policy Change (green font as shown on Table version of Amendments)	Notes
	provide that administrative, professional or technical services be performed by contract.	
Page 18	**Section 5.2.1 Commitment to Members.**	
	Beginning on the Cascade Supply Date, Cascade shall provide a ~~Full~~ Supply Commitment to each ~~Founding~~ Member. ~~Thereafter,~~ Cascade shall provide a Full Supply Commitment to ~~meet all current and future water supply needs of~~ a Member that joins with Water Supply Assets sufficient to provide for its needs during the following fifteen (15) years (whether or not those Water Supply Assets are transferred to Cascade or retained as Independent Supply.)	Deletion of "Full" accurately describes steps with membership supply
Page 24	**Section 5.5 Regional Capital Facilities Charges.**	
	RCFCs shall be calculated according to the RCFC Methodology, which shall define the analytical steps required to calculate the RCFCs according to ~~the greater of: (a) the incremental difference between the average unit cost of expanding the system (i.e., the marginal cost of new capacity) and the average unit cost of the existing system; or (b)~~ the average unit cost of past construction of the existing system plus ~~then-planned~~ the Supply System improvements planned at the time of the calculation.	In practice, (a) has not been used because it has proven problematic, as it relies heavily on subjective assumptions about timeframe, costs to be included and capacity provided.
Page 26	**Section 7.1 Asset Management.**	
	Cascade must manage the Supply System in compliance with applicable laws, regulations and Cascade's minimum service standards. ~~Adoption and amendments to the minimum service standards shall require a 65% Dual Majority Vote.~~	Removed 65% Dual Majority Vote.
Page 28	**Section 7.5 Water Supply Rates and Charges.**	
	Cascade may sell water to a Non-Member under terms and conditions established by the Board. ~~The terms and conditions shall not be more favorable than the terms and conditions under which water is sold to Members.~~ Revenue received from the sale of water to Non-Members shall be used to offset or reduce Rates and Charges to Members to the extent practicable, except that such revenue need not be treated as reducing or offsetting those amounts that are necessary for the payment of debt service on Bonds and for the provision of reserve and coverage requirements for the Bonds.	Removing limitation intended for founding membership; future transactions may be of benefit to Cascade and its members under differing terms and conditions.
Page 32	**Section 8.3 System Reliability Methodology.**	
	Cascade shall develop and adopt a system reliability methodology for planning, operation and management purposes. ~~Adoption and amendments to the system reliability methodology shall require a 65% Dual Majority Vote.~~	Removes 65% Dual Majority Vote requirement.
Page 34	**Section 10.3 Disincorporation.**	
	Cascade may ~~be dissolved~~ vote by a 65% Dual Majority Vote (as ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities), to disincorporate. Upon dissolution, disincorporation except as provided in an Asset Transfer Agreement, Cascade's assets initially shall be held by its then current Members as tenants in common.	Adds ratification requirement.

1961-RES
6/18/2008

ORIGINAL

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 7763

A RESOLUTION authorizing the City Manager or his designee to execute the Membership Audit Acceptance Agreement Between Cascade Water Alliance and City of Bellevue.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized to execute the Membership Audit Acceptance Agreement Between Cascade Water Alliance and City of Bellevue, a copy of which Membership Audit Acceptance Agreement has been given Clerk's Receiving No. 43339.

Passed by the City Council this 7th day of July, 2008, and signed in authentication of its passage this 7th day of July, 2008.

(SEAL)

Grant S. Degginger, Mayor

Attest:

Myrna L. Basich, City Clerk

BELLEVUE RECORDS MANAGEMENT

CONTRACT FACE SHEET

Document Type:

- Contract
- ☐ MOU
- ☒ Interlocal Agreement
- ☐ Notice of Acceptance
- ☐ Retainage
- ☐ Franchise Agreement
- ☐ Right of Way Use Agreement
- ☐ Lien
- ☐ Correspondence
- ☐ Collective Bargaining Agreement

Status:

- ☒ New
- ☐ Amendment
- ☐ Change Order
- ☐ Renewal
- ☐ Cancellation

***Vendor Name:** Cascade Water Alliance

***JDE PO Number:** 810805.000

***Effective Date:** 08.01.2008

***Termination Date:** 12.31.2099

Amendment Effective Date: /

***Clerk's Receiving Number:** 43339

Related Receiving Number: /

Bid/RFP/RFQ/ITQ Number: /

Ordinance Number: /

Resolution Number: 7763 (07.07.2008)

CIP Number: /

Project Name: Membership Audit Acceptance Agreement

KC# 20081017000796

Vendor Number: 37317

File Location: 08.656

*Denotes mandatory field's. If referring to Retainage, please indicate the Termination Date same as the Contract Termination Date.

UT | I

Face Sheet Date: 09.29.2008 JDE MT

Scan Date: 9-29-2008 MT

Index Date: ECM

City of Bellevue

Post Office Box 90012♦
Bellevue, Washington♦98009 9012♦

20081017000796
BELLEVUE INTERLOCA 42.00
PAGE001 OF 001
10/17/2008 12:56
KING COUNTY, WA

Recording Cover Sheet

To:	King County Recorder's Office
From:	City of Bellevue City Clerk's Office PO Box 90012 Bellevue, WA 98009-9012
Date:	September 29, 2008
Subject:	Interlocal Agreement Filing

The following legislation and attached agreement are included for filing with King County Record's Office per RCW 39.34.040.

Government Agency:	City of Bellevue
Interlocal Agreement Participants:	Cascade Water Alliance and City of Bellevue
Adopting Legislation:	7763
Clerk's Receiving Numbers:	CR# 43339
Description:	Membership Audit Acceptance Agreement
Recording Fee	$42.00

08-656

Full copy of above agreement available at the City of Bellevue, City Clerk's Records Division, 11511 Main Street, Bellevue, WA (425) 452-6805 email: cityclerk@ci.bellevue.wa.us

CR# 43339 DATE 09-29-08 LOC 08-6560
Res 7763

MEMBERSHIP AUDIT ACCEPTANCE AGREEMENT

Between

CASCADE WATER ALLIANCE

And

CITY OF BELLEVUE

MEMBER

May 23, 2008

Cascade Water Alliance ("Cascade") and the City of Bellevue ("Bellevue") enter into this Membership Audit Acceptance Agreement (the "Audit Agreement") with respect to Bellevue's public water system.

Article I: Authority – Audit Predicate – Audit – Definitions

Section 1.1 Authority. Article V, Section 5.2.2 of the Cascade Water Alliance Amended and Restated Interlocal Contract, dated December 15, 2004, (the "Interlocal") requires an audit of each Member's water system and Independent Supply, if any, for the purposes of (1) determining Cascade's supply obligation to that Member, (2) recognizing when the Member has lost Independent Supply, and (3) allocating credits against the Member's Regional Capital Facility Charge for its Independent Supply.

Section 1.2 Audit Predicate. Cascade's supply obligations (water quantity and quality) and related supply obligations and the Member's obligations concerning planning, conservation, shortage management, Independent Supply, and payment of Rates and Charges *are established by the Interlocal.* This Audit Agreement is intended to implement, not modify the Interlocal, and nothing herein shall change the benefits or obligations of a party to the Interlocal.

Section 1.3 Audit. This Audit Agreement incorporates and adopts the audit of Bellevue's public water system, dated May 23, 2008, performed by Cascade Water Alliance (the "Audit"). *The Audit was performed according to a methodology adopted by the Board of Directors of Cascade (the "Board") in Resolution No. 2008-04.* The original Audit is on file with Cascade. A true and accurate copy is attached hereto as Exhibit A.

Section 1.4 Definitions. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned to them in the Interlocal. The following words have the following meanings when used in this Agreement:

a) Production Requirement – The quantity (seasonal and annual) of water a Member is required to supply from its Independent Supply as established by the Audit and set forth in Section V of Exhibit A.

b) Failure to meet Production Requirement – A Member's voluntary or involuntary failure to meet Production Requirements and so declared by a resolution of the Board.

c) Loss of Supply – A Member's permanent Failure to Meet Production Requirements, or a portion thereof, and so declared by a resolution of the Board.

Article II: Independent Supply

The Audit accurately identifies and quantifies Bellevue's Independent Supply for the purpose of establishing Cascade's supply commitment to Bellevue.

Article III: Supply Commitment

Cascade's supply commitment, as provided in the Interlocal and further defined by the Audit, shall be implemented through the Points of Delivery that are identified in Exhibit A.

Article IV: Wheeling

All existing wheeling arrangements between Members or between Members and non-members as described in Exhibit A shall remain in effect. For future wheeling arrangements, Cascade shall pay wheeling charges when, in the judgment of the Board, a wheeling arrangement represents a cost-effective way to provide water to a Member or non-member.

Article V: Points of Delivery

Section 5.1 Cascade shall either own, or by contract with Seattle, have wholesale master meters at all points of delivery of the regional transmission system as set forth in Exhibit A.

Section 5.2 Costs related to installation of future wholesale master meters initiated by Cascade shall be borne by Cascade. The cost of installing any future wholesale master meters not initiated by Cascade and not listed in Exhibit A shall be charged pursuant to Cascade's fiscal policies to the entity (Member or non-member) receiving the water.

Section 5.3 The hydraulic gradients for the points of delivery are established in Exhibit A. A Member may request changes to such hydraulic gradient(s) to avoid adverse impacts to their distribution system. Cascade shall assume the initial cost of any adjustments required at the Member supply connection to match the defined range. Cascade shall also assume the initial cost of any adjustments (within the Member's distribution system) resulting from changes to the defined hydraulic gradient range caused by Cascade. Thereafter, the cost of any subsequent adjustments shall be borne by each individual Member. Under emergency conditions or other unusual short-term operating situations, Cascade shall not be obligated to meet minimum hydraulic gradients.

Article VI: RCFC Credits – Independent Supply – Production Requirements – Loss

Section 6.1 Award of Credits. According to the Audit, Bellevue is entitled to and shall have 0 credits against the Regional Capital Facilities Charge.

Section 6.2 Production Requirements – Waiver

6.2.1 Bellevue accepts the Audit and the Production Requirement established by the Audit and set forth in Exhibit A, and agrees to produce water from its Independent Supply in an amount at least sufficient to meet its Production Requirements.

6.2.2 The Board may temporarily modify or waive Production Requirements when:

a. the modification or waiver will not result in any increased demand upon Cascade or any increased cost to Cascade;

b. the modification or waiver is based upon unforeseen events such as equipment failure, natural disaster, or other situation that could not have been reasonably foreseen by Member(s);

c. the modification or waiver is based upon a planned temporary interruption of production as might be needed to perform routine maintenance or modification to a Member's system, the impacts of which have been coordinated in advance with Cascade;

d. the modification or waiver is warranted by considerations of equity and fairness as determined in the sole discretion of the Board;

e. the modification or waiver is based upon an agreed demand mitigation plan submitted by a Member and accepted by the Board; or

f. The modification or waiver is in effect only for a specified and limited (not to exceed one year) period of time.

Section 6.3 Production Requirements – Administration and Enforcement. Production Requirements shall be administered and enforced as follows:

6.3.1 Cascade will monitor Members' Independent Supply and Cascade's supply to Members through the collection of necessary reports and data. Cascade will evaluate Independent Supply production relative to Production Requirements and periodically report to Members on status. The frequency of such reports will be determined by practical timeframes for receipt and compilation of necessary data from regional and local sources. If a Member fails to meet Production Requirements, Cascade will notify the Member and the Board as soon as practical.

6.3.2 Each year, Cascade will periodically assess the supply and demand situation to determine whether Production Requirements may be waived or reduced based on a finding of surplus in water supply capacity or capability relative to demands. In the event of shortage conditions invoking shortage response, Cascade will work with Members to maximize those Members' reliance on Independent Supply while recognizing that concurrent demand reductions may cause de facto reductions in the ability to put Independent Supply to full productive use.

6.3.3 The Production Requirement shall be reduced pro rata to reflect a reduction in demand levels in any year. For this purpose, Cascade shall determine the actual Cascade usage per CERU for its collective Members, divide this usage by the standard usage per CERU established and used by Cascade, and multiply this ratio times the Production Requirement. This shall be done separately for annual and peak season demands and Production Requirements.

6.3.4 Shortfalls in production that are not waived by the Board or otherwise satisfied by any of the foregoing shall be documented by a resolution of the Board that shall impose penalties according to a graduated series of financial surcharges and operational sanctions, as follows:

Cascade Actions for Member Shortfall in Independent Supply Production			
Frequency	**Financial Response** *(applies to volume of shortfall)*		**Operational Response**
	Peak Season Shortfall	**Annual Shortfall**	
1st occurrence in 20-year rolling period	None	None	Cascade notifies Member and Board adopts resolution declaring production failure
2nd occurrence in 20-year rolling period	Surcharge equal to 25% of Cascade's *average cost* per ccf delivered*	Surcharge equal to 5% of Cascade's *average cost* per ccf delivered*	Cascade notifies Member and Board adopts resolution declaring 2nd production failure, imposing penalties, and detailing consequences of further failures
3rd and subsequent occurrences in 20-year rolling period	Surcharge equal to 200% of Cascade's *average cost* per ccf delivered*	Surcharge equal to 80% of Cascade's *average cost* per ccf delivered*	Cascade notifies Member and Board adopts resolution declaring 3rd production failure, imposing penalties, and warning that a fourth failure will be deemed a Member declaration of "loss of supply"
** "average cost per ccf delivered" is defined as total annual Cascade Demand Share revenue divided by total annual Cascade volume delivered.*			

Provided that only one occurrence of a shortfall in Independent Supply Production may be declared per year, and provided further that in the event of multiple shortfalls in the same year (e.g. both peak season and annual shortfalls), the financial penalty shall be the greater of the calculated penalties.

6.3.5 A resolution declaring a permanent Loss of Supply shall be adopted by the Board upon the 4th occurrence of a Failure to Meet Production Requirements in a 20 year rolling period.

6.3.6 Whenever a resolution declaring a Loss of Supply has been adopted by the Board, (a) the Member shall concur in the declaration of Loss of Supply and formally request an additional Full Supply Commitment from Cascade in accordance with Section 5.2.2 of the Interlocal; (b) Cascade shall, at the Member's expense, perform an audit according to the approved audit methodology to quantify Cascade's additional Full Supply Commitment to the Member; and (c) Cascade shall impose, by resolution of the Board, the applicable annual financial penalties provided for in Section 6.3.4 of this agreement for that Loss of Supply, until the Member submits to Cascade a formal request for an additional Full Supply Commitment according to the Interlocal.

6.3.7 Whenever a Member experiences a Loss of Supply, that Loss of Supply shall be documented in a resolution of the Board and copy provided to the Member. The resolution shall

state the basis for the Board's declaration. A resolution declaring a Loss of Supply may be rescinded upon a showing satisfactory to the Board of replacement of lost supply consistent with the requirements of the Interlocal.

ARTICLE VII: General

Section 7.1 Integrated Agreement. This Agreement implements provisions of the Interlocal and shall be construed and interpreted to that effect; otherwise, this document and all attachments integrates all prior oral and written representations between the parties and is the complete agreement between Cascade and Bellevue concerning the Audit of Bellevue's public water system.

Section 7.2 Amendment. Except as otherwise provided, this Audit Agreement may be amended only in writing and only if such writing is signed by the Member and by Cascace; provided, however, an approved water system plan that modifies the Member's service area shall amend the service area described in Section 2.1 pending a further Audit of the Member's public water system in accordance with the Interlocal.

Section 7.3 Interpretation and Venue. This Audit Agreement shall be interpreted and construed according to the laws of the State of Washington; provided that the Interlocal, the Audit, and applicable Cascade resolutions may be consulted as aids to interpretation and construction. Any action to enforce this Agreement shall be brought in King County, Washington.

Section 7.4 Effective Date. This Audit Agreement shall be effective on the date that it is approved by resolution of the Board.

CASCADE WATER ALLIANCE
By:

9/3/2008
Date

Ed Oberg, Chief Executive Officer

Chair, P

Date _____

Attest:

Pursuant to Cascade Water Alliance Resolution No. 2008-12, Section 4, adopted 8/27/08, the Chief Executive Officer is authorized to execute the Audit Acceptance Agreements for the seven Cascade Members listed in Section 2.

Secretary,

Date _____

MEMBER
By:

Mayor or City Manager or President of Commissioners

Date 7-11-08

Attest:

Date 7-11-08

MEMBER WATER AUDIT

CITY OF BELLEVUE

PREPARED FOR CASCADE WATER ALLIANCE

May 23, 2008

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Section I: Purpose & Background

This water audit outlines the supply relationship between Cascade Water Alliance (Cascade) and its Members, documenting each Member's official service area and independent supply sources. As a condition for membership in Cascade, Members with independent supply sources participated in a water system audit in 1999. The audit included a review of Member-owned independent supplies, which resulted in an award of independent supply credits for use against future Regional Capital Facilities Charge (RCFC) payments. The prior audits were conducted on the premise that Cascade would commence operation and supply delivery in 2000 – however, Cascade did not begin delivering water until 2004.

Cascade has recognized the need to update the prior audits for Members with independent supply sources to establish Member obligations to produce water from independent supplies, and to define RCFC credits (redeemable beginning in 2008). This document has been prepared in accordance with Article V, Section 5.2.2 of the Amended and Restated Cascade Interlocal Contract (dated December 15, 2004), which authorizes Cascade to conduct audits of the independent supplies of its Members at any time. Given that the City of Bellevue does not have any independent supply sources of its own at present, the primary purpose of this audit is to document the supply relationship between the City and Cascade.

Section II: Utility Description

The City of Bellevue is a municipal corporation that owns and operates a public water system serving customers inside its water service area. Table 1 summarizes information pertinent to the City's water system:

Table 1: General Water System Information – City of Bellevue

Water System Name:	City of Bellevue
Water System ID No:	
Water System Classification:	Group A – Community Type
Type of Ownership:	Local Government
Owner No:	
Address:	
System Contact Person:	
CERU Count as of 12/31/04:	64,194
Sources of Information:	**Cascade / City Records**

Section 2.1 Service Area

The City purchases water to serve its customers, most of which comes from Seattle (through the Cascade Block) – however, it also receives some water from Kirkland. Bellevue supplies water to Redmond to serve the Overlake / Viewpoint area, and supplies water to Issaquah to serve the Montreaux / Lakemont neighborhoods. Bellevue also has an agreement with the Coal Creek Utility District where the District wheels Seattle water to serve a portion of Bellevue's service area. (Figure 1 Map of Service area)

Section 2.2 Pre-Existing Service Commitments to Non-Members

The City does not have any pre-existing service commitments to non-members. The City provides retail service within several neighboring jurisdictions as identified in Section 2.1 above.

Section 2.3 Distinguishing Characteristics & Considerations

The following considerations are unique to the City of Bellevue's water system:

- The City provides retail water service to several adjacent communities, including the Cities of Medina, Hunts Point, and Yarrow Point.
- The City has annexed a couple of nearby territories, including part of Coal Creek Utility District (2003) and King County Water District #1 (2005).
  - The annexation of King County Water District #1 was coordinated with and approved by Cascade, and RCFCs were paid for the added customer base.
  - With the annexation of Coal Creek Utility District, Cascade's block of water under the Seattle Public Utility contract was correspondingly increased.

Section III: Supply Commitment

Section 3.1 Delivery Points

The specific Points of Delivery are identified in Figure 1. The location of each Point of Delivery is listed in Table 2 and is the Points of Delivery as defined by the Member agency at the time the water audit was finalized.

Figure 1

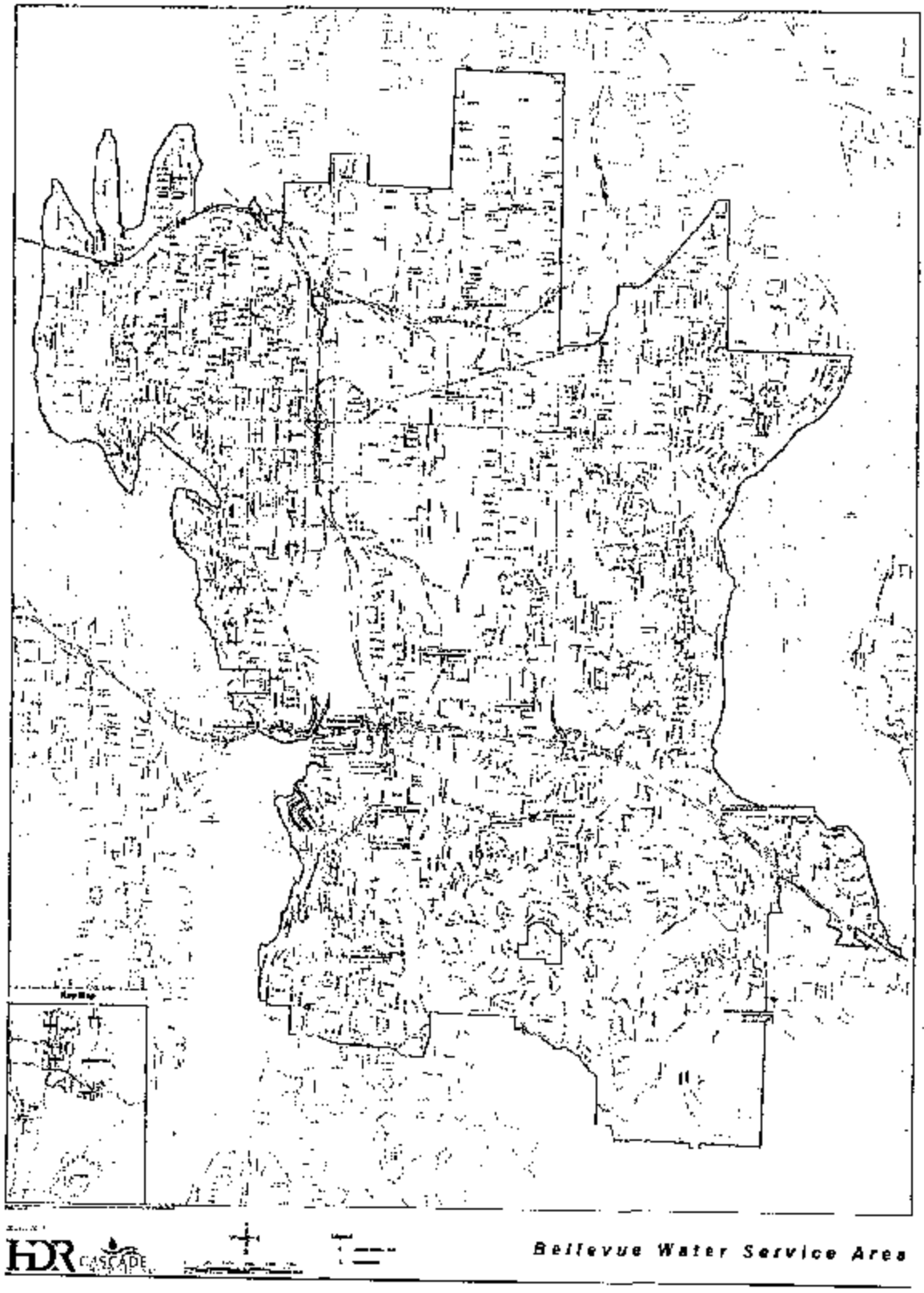

Table 2

TABLE OF DELIVERY POINTS

LOCATION	JURISDICTION	STA_NO	HYDRAULIC GRADIENT (Ft)		TYPE
			Minimum	Maximum	
132nd Avenue SE & SE 26th Street (Richard Road)	Bellevue	59	425	530	SUPPLY
128th Avenue SE & Newport Way (Somerset)	Bellevue	56	435	520	SUPPLY
Mercer Island Pipeline & 108th Avenue SE (Enatai)	Bellevue	66	420	520	SUPPLY
140th Avenue NE & 40th Street (NE 40th)	Bellevue /Redmond	65	500	720	SUPPLY
132nd Avenue NE & NE 14th Street (Bel-Red Road)	Bellevue	62	470	710	SUPPLY
132nd Avenue NE & NE 24th Street (Cherry Crest)	Bellevue	63	455	720	SUPPLY
152nd Avenue NE & NE 8th Street (NE 8th)	Bellevue /Redmond	61	460	720	SUPPLY
145th Place SE & SE 28th Street (SE 28th)	Bellevue	58	470	560	SUPPLY
14509 SE Newport Way (Eastgate)	Bellevue	60	525	560	SUPPLY
14509 SE Newport Way (161st)	Bellevue/Issaquah	67	525	560	SUPPLY
128th Avenue SE & Newport Way (Newport High School)	Bellevue	55	435	520	SUPPLY
124th Avenue SE & SE 38th Place (Factoria)	Bellevue	124	425	520	SUPPLY
128th Avenue SE & SE 70th Street (CCUD Meter)	Bellevue	52	445	525	SUPPLY

Section 3.2 Water Quality

As part of the Cascade Interlocal Contract, Cascade is responsible for the quality of water delivered through its system up to the delivery points specified in Section 3.1. The City maintains responsibility for the water quality of its independent supply sources. Beyond this, Cascade and its Members continue to develop policy and practice related to relative duties and responsibilities for water quality monitoring, management, and compliance.

Section 3.3 Shortages and Other Supply Restrictions

Section 7.3 of the Interlocal Contract specifically addresses the actions that Cascade and the Members will take in the event of supply shortages. In summary, Cascade will reduce or halt interruptible supply commitments first; in cases where further usage restrictions are needed, Members will share the associated burden under a shortage management plan adopted by Cascade's Board of Directors.

Section IV: RCFC Credits

The City of Bellevue does not currently have any independent supply sources – it acquires the water that it needs from wholesale water purchases and transfers from other Members. Future acquisition and integration of independent supply sources would require approval from Cascade, with any credits being awarded at the discretion of Cascade's Board of Directors.

Section V: Production Requirement

As noted, the City of Bellevue does not currently have any independent supply sources – consequently, the City does not have any independent supply production requirements. If the City should acquire and integrate any independent supply sources (with the Board's approval) in the future, Cascade may establish independent supply production requirements that are commensurate with any RCFC credits awarded to the City.

CR# 39544 DATE 6/30/06 LOC 06-391

Pipeline Operations Agreement

AGREEMENT FOR OPERATIONS AND MAINTENANCE OF CASCADE WATER ALLIANCE PIPELINE

THIS Pipeline Operations Agreement between the CASCADE WATER ALLIANCE, a Washington public nonprofit corporation ("Cascade"), and the CITY OF BELLEVUE, a municipal corporation ("Bellevue") is made this ____ day of _____, 2006.

WHEREAS, the Cascade Water Alliance is a public nonprofit corporation established by Interlocal Contract under the authority of Chapter 39.34 RCW, the Interlocal Cooperation Act, and incorporated under Chapter 24.03 RCW to further the interests of its members with respect to water supply and to work cooperatively with other water supply entities in the central Puget Sound region, and

WHEREAS, pursuant to the Pipeline Transfer and Acquisition Agreement, Bellevue transferred ownership to Cascade of a 24-inch transmission main ("the Pipeline") consisting of water pipelines, valves, fittings, thrust restraint and appurtenances from the point of connection from the Seattle inlet at the Eastside Reservoir to a point of connection at the intersection of 163rd and Newport Way in Bellevue, Washington, and

WHEREAS, Cascade does not have staff to perform maintenance and operations of its newly acquired Pipeline facilities, and

WHEREAS, Bellevue is willing to perform such maintenance and operations on behalf of Cascade, and

WHEREAS, Cascade wishes to contract with Bellevue for the operations and maintenance of its Pipeline facilities from the point of connection from the Seattle inlet at the Eastside Reservoir to a point of connection at the intersection of 163rd and Newport Way in Bellevue, Washington,

NOW THEREFORE, the Parties agree to the following:

1. CASCADE WATER ALLIANCE:

A. Cascade is responsible for the operations and maintenance of the Pipeline facilities and is contracting the performance of such work to Bellevue.

B. Cascade will determine with Bellevue how best to operate the Pipeline facilities to ensure adequate water supply and water quality in accordance with the Cascade Interlocal Contract. Bellevue will continue to operate and maintain the Pipeline in accordance with its current practices, until Bellevue and Cascade develop mutually agreeable operating guidelines.

C. This Agreement does not delegate Cascade's responsibility under the Cascade Interlocal Contract for the delivery of water supply and the water quality of such supply to any of its members.

2. BELLEVUE:

Bellevue shall operate and maintain the Pipeline facilities, on behalf of Cascade, located from the point of connection from the Seattle inlet at the Eastside Reservoir to a point of connection at the intersection of 163rd and Newport Way in Bellevue, Washington.

3. OPERATIONS:

Bellevue agrees to coordinate and cooperate with Cascade on operation and maintenance of Cascade's Pipeline facilities to help Cascade ensure the delivery of water supply of quality and quantity in accordance with the Cascade Interlocal Contract.

4. COST REIMBURSEMENT:

A. Cascade shall reimburse Bellevue for all time and materials and 3rd party expenditures/billables (e.g. power bills) used to perform the required maintenance and operations of the Pipeline facilities in accordance with Cascade standards. Included shall be an amount not to exceed 18% for overhead and other indirect costs attributable to the performance of such maintenance and operations. The 18% overhead rate shall be periodically reviewed and adjusted as necessary to ensure consistency with Bellevue overhead rates.

B. Bellevue shall provide Cascade a semi-annual invoice for all costs associated with providing such operations and maintenance.

C. Cascade shall pay such invoice within 30 days of receipt.

5. LIABILITY/HOLD HARMLESS:

A. Bellevue shall indemnify, defend, and hold harmless Cascade, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Bellevue, its officers, agents and employees, in the performance of this Agreement and as to claims against Cascade, its officers, agents and employees, Bellevue expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Cascade, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Bellevue, its officers, agents and employees.

B. Cascade shall indemnify, defend, and hold harmless the City of Bellevue, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Cascade, its officers, agents and employees, in the performance of this Agreement and as to claims against Bellevue, its officers, agents and employees, Cascade expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Cascade. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Issaquah, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Cascade, its officers, agents and employees.

6. DISPUTE RESOLUTION:

Both parties to this Agreement shall use every reasonable effort to resolve any maintenance or operational issue arising under Agreement or any dispute regarding the eligibility of costs for reimbursement by Cascade. In the event the parties are not able to resolve a dispute arising under this Agreement, the issue shall be directed to the General Manager of Cascade and the Utilities Director or other designee of Bellevue for resolution. In the event that resolution is still not reached, the General Manager and Utilities Director or other designee shall agree to the appointment of a mutually acceptable third party who shall meet with the parties, hear argument and provide a written decision which shall be advisory but non-binding on the parties.

7. AUTHORITY:

By signing this Agreement, each party certifies that it has the authority to bind its respective governing bodies to all of the terms and conditions of this Agreement. This Agreement may be terminated by either party upon giving the other party 6 months prior written notice. The provisions of Paragraph 5 shall survive termination of this Agreement.

8. EFFECTIVE DATE:

This Agreement is effective upon the date of last signature below.

CASCADE WATER ALLIANCE, a Washington nonprofit corporation

By: _____

Its: CHAIR

Dated: 5-30-06

Attest:
SECRETARY OF THE BOARD
By: Jim Haggerton

Approved as to form:
By: Allen Reiten
Attorney for Cascade

CITY OF BELLEVUE, a municipal corporation

By: Brad Miyake
Its: Interim Deputy City Mgr
Dated: 6-30-06

Attest:
CITY CLERK

By:_____

Approved as to form:

By: Patricia C. Cole
City of Bellevue Attorney

CR# 39543 DATE 6/30/06 LOC 06-391

PIPELINE TRANSFER AND ACQUISITION AGREEMENT

THIS AGREEMENT ("Agreement") is between the CASCADE WATER ALLIANCE, a Washington public nonprofit corporation ("Cascade") and the CITY OF BELLEVUE, a municipal corporation ("Bellevue").

RECITALS

1. The Cascade Water Alliance is a public nonprofit corporation established by Interlocal Contract under the authority of Chapter 39.34 RCW, the Interlocal Cooperation Act, and incorporated under Chapter 24.03 RCW to further the interests of its members with respect to water supply and to work cooperatively with other water supply entities in the central Puget Sound region.

2. Bellevue owns a 24-inch water transmission main (the "Pipeline") that conveys water from the Seattle Inlet at the Eastside Reservoir to the intersection of 163rd and Newport Way in Bellevue.

3. Bellevue has agreed to transfer ownership of the Pipeline and its capacity to Cascade, and Cascade has agreed to accept ownership of the Pipeline and its capacity according to the terms and conditions of this Agreement.

4. After title to the Pipeline is transferred to Cascade, Cascade shall have responsibility for operations and maintenance of the Pipeline.

AGREEMENT

NOW, THEREFORE, the Parties agree as follows:

1. Cascade Acquisition of Pipeline. Cascade shall acquire from Bellevue exclusive title to the Pipeline, along with all appurtenances and real property interests (if any) associated with the Pipeline as provided in this Agreement. The Pipeline consists of water pipelines, valves, fittings, thrust restraint, and appurtenances from a point of connection from the Seattle Inlet at the Eastside Reservoir to a point of connection with the Issaquah pipeline purchased by Cascade in December, 2004 at the intersection of 163rd and Newport Way in Bellevue, as more fully set forth in Exhibit A.

2. Transfer of Pipeline and Capacity. Bellevue shall convey the Pipeline and the Pipeline's capacity to Cascade as follows:

   A. Bellevue shall transfer the Pipeline and its capacity to Cascade without monetary consideration; provided that, if in the future Cascade provides compensation to any of its members for the transfer of member assets that are to be used by or for the benefit of Cascade and its members, Cascade shall compensate Bellevue for the reasonable value of the Pipeline as of the original date of the transfer.

   B. In consideration of the transfer of the Pipeline and its capacity, Cascade shall

accept ownership of the Pipeline and operate and maintain the Pipeline such that water delivery to its members is consistent with the Cascade Interlocal Contract. Cascade may enter into a contract with another party (which may be a Cascade Member) for maintenance and operations of the Pipeline. Cascade shall provide Bellevue with water supply at a point of delivery at 161st and Newport Way such that Bellevue can continue to provide necessary supply to its customers served from the Pipeline.

C. Bellevue shall retain ownership of and operation responsibility for the booster pump station located at 161st and Newport Way; provided that all of Bellevue's costs associated with the booster pump station, including but not limited to, operations, maintenance, repair and replacement costs, shall be Cascade's responsibility. Costs associated with the booster pump station shall include, but not be limited to, all time and materials and 3rd party expenditures/billables (e.g. power bills) and include an amount not to exceed 18% for overhead and other indirect costs. The 18% overhead rate shall be periodically reviewed and adjusted as necessary to ensure consistency with Bellevue overhead rates. Cascade shall no longer be responsible for costs associated with the booster station if Cascade changes the operation of its system such that the booster pump station is no longer necessary, so long as Bellevue's water supply service to its customers is not adversely impacted. Cascade shall continue to be responsible for any removal or decommissioning costs associated with the pump station.

D. For all non-emergency maintenance and/or repair activities conducted on that segment of the Pipeline situated within Eastgate Park, as depicted on Exhibit A to this Agreement, Cascade agrees to obtain a properly executed Right of Entry from Bellevue, which Right of Entry shall not be unreasonably withheld. Cascade further agrees to return the Eastgate park property to its pre-maintenance or pre-repair condition at the termination of any such activity.

E. Bellevue shall provide Cascade with an easement for operation, maintenance, repair or replacement of the segment of the Pipeline situated in Eastgate Park, as depicted on Exhibit A to this Agreement.

3. Indemnification and Hold Harmless. Cascade shall indemnify, defend and hold harmless Bellevue, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Cascade, its officers, agents or employees, in the performance of this Agreement. This includes but is not limited to any liabilities resulting from:

A. Construction of upgrades to the Pipeline as required by this Agreement or by the Pipeline Operations Agreement.

B. The transition of service from Bellevue to Cascade's supply system.

C. Leaks or breaks in the Pipeline after the execution of this Agreement.

D. Prior and future actions of Cascade and its agents other than Bellevue.

4. Closing. The parties shall not be obligated to close unless and until each party has

performed its covenants and obligations hereunder.

A. Closing shall occur on or before _____ 2006 at the offices of_____, or at such other time and place agreeable to the parties. Bellevue and Cascade shall each be responsible for one-half of the closing costs.

B. At closing CASCADE shall deliver to BELLEVUE:

1. A duplicate original of the Pipeline Operations Agreement properly executed by Cascade.

C. At closing BELLEVUE shall deliver to CASCADE:

1. A Bill of Sale transferring to Cascade all of Bellevue's right, title and interest in the Pipeline and its capacity and warranting that Bellevue has exclusive title to the Pipeline. Other than the above warranties, the Bill of Sale shall indicate that the sale is an "As Is" sale, with no other warranties, express or implied.

2. Properly executed conveyance documents conveying to Cascade those real estate interests (if any) associated with the Pipeline.

3. A duplicate original of the Pipeline Operations Agreement properly executed by Bellevue.

4. "As Built" Pipeline documents in the possession of Bellevue.

D. When the requirements of 3(B) and 3(C) have been fulfilled, this transaction shall be closed without further instruction.

E. To the extent that there are any taxes, special assessments or utility service fees relating to the Pipeline or its use that are the legal obligation of one party but are attributable in part to a time period during which that party did not have possession of the Pipeline, then the parties will share in the obligation to pay such taxes, assessments or fees on the basis of a proration as of Closing. Cascade may record such deeds, assignments and other transfer documents as it desires and shall pay the cost thereof. Based on current State law, the Parties do not expect that any retail sales tax, use tax, real estate excise tax or any other transfer tax will be due on the contemplated transfer. However, if any such tax is due, the Party legally obligated to pay such tax shall do so.

5. Transfer of Responsibility.

A. Effective 12:01 a.m. on the day immediately following Closing, Bellevue relinquishes responsibility for the Pipeline to Cascade, and Cascade assumes responsibility for the Pipeline on that date.

B. Effective 12:01 a.m. on the day immediately following Closing, Cascade shall be fully responsible for the Pipeline at Cascade's sole cost. The Pipeline shall be operated

by Cascade as a regional facility, providing water supply to Cascade members that can be served by the Pipeline.

C. The Pipeline shall be operated according to requirements of law and the terms and conditions of the Pipeline Operations Agreement and the Cascade Interlocal Contract. Cascade shall maintain the Pipeline in accordance with the more stringent of industry standards or standards adopted by Cascade. Cascade shall maintain the Pipeline in accordance with industry standards such that if or when Bellevue withdraws from Cascade or Cascade dissolves, the Pipeline will be in a reasonable condition based upon the length of time it has been in service.

D. Cascade's ownership of the Pipeline shall be subject to the following limitations should Bellevue withdraw from Cascade or should Cascade dissolve.

1. Bellevue withdraws from Cascade:

a. Cascade will continue to own and be responsible for the Pipeline.

b. When Bellevue withdraws, Cascade shall continue to deliver water purchased by Bellevue from sources other than Cascade, through the Cascade Supply System, in an amount equal to the volume of Cascade water received by Bellevue through the Pipeline, at a cost equal to a then agreed upon fair share of Cascade costs. This cost may include operational and future replacement costs. Provided however, if Cascade chooses to upsize the Pipeline to meet its own needs, Bellevue will not be responsible for any of that cost, and Cascade will continue to provide service as provided in this Section 4(D)(1)(b).

2. Cascade Dissolves:

a. The Pipeline and its capacity shall be returned to Bellevue at no cost with no warrantees, guarantees or encumbrances and shall not be subject to Article 10 "Duration and Dissolution; Withdrawal" of the Cascade Water Alliance Interlocal Contract.

b. Bellevue, as owner of the Pipeline, shall continue to allow access by agencies that depended upon this facility for supply service while it was owned by Cascade and shall wheel water for agencies that received supply from Cascade through this facility at a fair cost to be negotiated during the dissolution procedures of Cascade. This cost may include operational and future replacement costs.

6. Severability. The invalidity or unenforceability of any provisions of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respect as if such invalid or unenforceable provisions were admitted.

7. Amendment. No change, amendment or modification of any provisions of the

Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both parties.

8. Authorization. By signing this Agreement, each party certifies that it has the authority to bind its respective governing bodies to all of the terms and conditions of this Agreement.

9. Effective Date. This Agreement is effective upon the date of the last signature below.

CASCADE WATER ALLIANCE, a Washington nonprofit corporation

By: _____
Its: CHAIR
Dated: 5-30-06

Attest:
SECRETARY OF THE BOARD
By: _____

Approved as to form:

By: _____
Attorney for Cascade

CITY OF BELLEVUE, a municipal corporation

By: _____
Its: Interim Deputy City Mgr
Dated: 6-30-06

Attest:
CITY CLERK

By: _____

Approved as to form:

By: _____
Asst. City Attorney

CR# 37403 DATE 04·15·05 LOC 05-335 PO 510530

Cascade Water Alliance

INTERLOCAL CONTRACT

Amended and Restated

December 15, 2004

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"Bonds" means short-term or long-term bonds, notes, warrants, certificates of indebtedness, or other obligations issued by, or on behalf of Cascade.

"ByLaws" means the ByLaws of Cascade, as adopted and amended by the Board.

"Cascade" means the Cascade Water Alliance.

"Cascade ERUs" ("CERUs") means equivalent residential units, calculated according to the Regional Capital Facilities Charge Methodology.

"Cascade Source Exchange Program" means a program adopted by Resolution of the Board for the replacement of all or a portion of a public water systems existing water supply to benefit stream flow and fish without serving growth or increasing that system's water supply. A program utilizing Lake Tapps Water Supply shall include the terms and conditions for source exchange contained in the Lake Tapps' Water Right Report of Examination.

"Cascade Source Exchange Program Agreement" means an agreement between Cascade and a Member or another public water supplier to implement the Cascade Source Exchange Program.

"Cascade Supply Date" means the date for the Founding Members and each new Member, established by Resolution of the Board, upon which Cascade undertakes a Supply Commitment.

"Contract" means this Cascade Water Alliance Interlocal Contract.

"Demand Share" means either a Member's current share of water provided through the Supply System, or estimated share of water to be provided through the Supply System, whether Full Supply or Interruptible Supply, expressed in millions of gallons per day. Demand Share is calculated according to the Rate Calculation Methodology.

"Dual Majority Vote" means Board approval of a proposal on the basis of a simple majority of all Members, allowing one vote per Member, together with a simple majority of all Members on the basis of each Member's Weighted Vote. A "simple majority" means a majority of all Members of Cascade, not just the Members present and voting.

"65% Dual Majority Vote" means Board approval of a proposal on the basis of a 65% supermajority of all Members, allowing one vote per Member, together with 65% supermajority of all Members on the basis of each Member's Weighted Vote. A "supermajority" means 65% of all Members of Cascade, not just the Members present and voting.

"Founding Member" means the City of Bellevue, Covington Water District, the City of Issaquah, the City of Kirkland, the City of Redmond, Sammamish Plateau Water and Sewer District, Skyway Water and Sewer District, and the City of Tukwila.

"Gross Cascade Revenue" means all of the earnings and revenues received by Cascade from any source whatsoever including but not limited to: (a) Member Charges; (b) revenues from the sale, lease or furnishing of other commodities, services, properties or facilities; (c) the receipt of earnings from the investment of money in any maintenance fund or similar fund; (d) and withdrawals from any rate reserve or rate stabilization fund or account.

However, Gross Cascade Revenue shall not include: (a) principal proceeds of Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund obligations relating to the Water Supply System (until commingled with other earnings and revenues included in Gross Cascade Revenue) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (b) taxes and other income and revenue which may not legally be pledged for revenue bond

debt service; (c) improvement district assessments; (d) federal or state grants allocated to capital projects; (e) payments under Bond Insurance or other credit enhancement policy or device; (f) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (g) earnings in any construction fund or bond redemption fund; (h) deposits to any rate reserve or rate stabilization fund or account; or (i) any revenues generated by any Independent Supply except those amounts that are payable to Cascade pursuant to this Contract or another interlocal agreement.

"Independent Supply" or **"Independent Supplies"** means a Member's Water Supply Assets that are not part of the Supply System.

"Member" or **"Members"** means one or more member agencies of Cascade.

"Member Charges" means all payments that Cascade Members are required by this Contract to make to Cascade, including but not limited to all Rates and Charges, RCFCs, dues, assessments and other payments from Members.

"Net Cascade Revenue" means Gross Cascade Revenue less Operations and Maintenance Costs.

"Non-Member" means any person or agency that is not a party to this Contract.

"Operations and Maintenance Costs" or **"O&M Costs"** means all expenses incurred by Cascade to operate and maintain the Supply System in good repair, working order and condition, including without limitation, payments made to any other public or private entity for water or other utility service. Except as approved by the Board, Operations and Maintenance Costs shall not include any depreciation, capital additions or capital replacements to the Supply System.

"Rates and Charges" means the rates and charges (not including RCFCs) chargeable to each Member using the Rate Calculation Methodology plus any late payment or other charge that may be due.

"Rate Calculation Methodology" means the method of setting Rates and Charges adopted by the Board in accordance with Section 7.5.

"Regional Capital Facilities Charges" ("RCFCs") means the charges to each Member for new CERUs connected to that Member's water distribution system.

"Regional Capital Facilities Charge Methodology" ("RCFC Methodology") means the method of determining the RCFCs adopted by the Board in accordance with Section 5.5.

"Satellite Systems" means water supply facilities identified as such by the Board, including but not limited to facilities that serve a portion of a Member's customers but that are not part of the Member's main water system.

"Seattle Contract Purveyor" or **"Seattle Contract Purveyors"** means a Member that is or was a party to The City of Seattle Water Purveyor Contracts, Version A or Version B, dated November 1981 (as amended) executed prior to July 1, 1998.

"Supply Commitment" means the obligation undertaken by Cascade, established by Resolution of the Board to supply water to a Member. With respect to Members, that obligation shall be characterized as "**Full Supply Commitment,"** or an **"Interruptible Supply Commitment"** defined as follows:

"Full Supply Commitment " for any or all of a Member's water needs means that those needs, as projected in the Member's lawfully adopted water supply plan, shall be met from the Supply System, net of independent supply and subject to the other limitations established in this

agreement, on an equal parity with all other Full Supply Commitments, and with a guaranteed priority no lower than for any other Supply Commitment made by Cascade; provided that no Member is guaranteed any given amount of supply or capacity.

"Interruptible Supply Commitment" means a supply of all or part of a Member's water needs from the Supply System on an as-available basis on a lower priority than any Full Supply Commitment.

The Supply Commitment for a Member shall be defined by this Interlocal Contact, the terms and conditions of membership, and the Supply Commitment resolution.

"Supply System" means the Water Supply Assets owned or controlled by Cascade.

"Water Supply Assets" means tangible and intangible assets usable in connection with the provision of water supply, including without limitation, real property, physical facilities (e.g., dams, wells, treatment plants, pump stations, reservoirs, and transmission lines), water rights, capacity and/or contractual rights in facilities or resources owned by other entities, and investments in conservation programs and facilities.

"Watershed Management Plan" means a plan adopted by Cascade for purposes of regional water supply, water transmission, water quality or protection, or any other water-related purpose, including but not limited to the plans identified in RCW 39.34.190 (3).

"Water Supply Plan" means the Cascade Regional Water Supply Plan (which may include the Cascade Watershed Management Plan) adopted by the Board as provided in Section 8.1 and 8.2.

"Weighted Vote" means a vote in which each Member's vote is counted according to the Member's Demand Share, but no Member shall have a Weighted Vote of less than one.

ARTICLE 3. Formation of Entity; Purpose and Powers

Section 3.1 Formation. The Cascade Water Alliance was created on April 1, 1999 as a public body and an instrumentality of its Members, which exercises essential governmental functions on its Members' behalf as authorized by the Interlocal Cooperation Act (RCW 39.34). Cascade is incorporated under RCW 39.34.040(3) as a public nonprofit corporation in the manner set forth in RCW 24.03 or 24.06 and it may, with Board approval, be incorporated as a partnership in the manner set forth in RCW 25.04, or the Board may organize the form of Cascade in any other manner permitted by law. In addition to its status under any other applicable law, Cascade shall constitute a "watershed management partnership" as provided in Chapter 39.34 RCW. The Board may approve the filing of Articles of Incorporation or similar documents in connection with incorporating Cascade or organizing it in some other manner.

Section 3.2 Membership. Subject to restrictions on future Cascade water rights, or to limitations upon water's place of use imposed by contract or permit, any municipal water utility serving within the Central Puget Sound Region may be admitted to Cascade. The decision to admit new Members rests with the sole discretion of the Board, which shall determine whether to extend a membership offer taking into consideration the audit findings, Cascade water resources, and any other factors the Board deems advisable.

When a municipality applies for membership, Cascade shall conduct a water supply audit according to the methodology and within the period determined by the Board. Audit results shall be provided to the Board and to the applicant.

If a membership offer is extended, it shall address the nature of the Water Supply Assets being transferred or retained and the "value" of those assets in terms of the calculation of an

applicant's Demand Share, RCFCs and other matters relating to the rights and obligations of the applicant and Cascade, which must be recorded in the form that the Board determines and which will constitute, along with this Contract, the conditions under which an applicant becomes a Member of Cascade. An applicant for membership shall be admitted by adoption of a Resolution of the Board accepting the application for membership and incorporating the terms and conditions of membership.

Each membership application must be accompanied by a nonrefundable application fee based on the cost of the audit and other costs related to the admission of a new Member or a request for new supply. The Board shall set the application fee for each applicant based on the estimated cost of processing the application, including the cost of the audit.

As a condition of membership, each new Member admitted to Cascade shall, in addition to any other applicable fees, rates, charges or assessments, pay to Cascade the membership fee, as established by the Board.

If an applicant's planning process or plans are materially out of compliance with the requirements of the Growth Management Act, the Board may condition an offer of membership upon the applicant's compliance with that act.

Section 3.3 Conversion to Municipal Corporation Status. In accordance with Section 10.4, Cascade may be converted into a separate municipal corporation if, and as permitted by law. Upon the creation of such a separate municipal corporation, all Cascade rights and obligations and all Member rights and obligations under this Contract shall transfer to that new municipal corporation.

Section 3.4 Purposes. Cascade's purposes include only those related to water resources, and do not include the provision of other general services to the public, and are to:

a. provide a safe, reliable and high quality drinking water supply to meet the current and projected demands of Cascade Members serving the Central Puget Sound Region, and for Non-Members as determined by Cascade, and to carry out this task in a coordinated, cost-effective, and environmentally sensitive manner;

b. develop, contract for, manage, acquire, own, maintain and operate Water Supply Assets, including without limitation, surface water supplies, groundwater supplies, reclaimed water supplies, and other water supply resources as determined by the Board;

c. contract with Seattle to transfer to Cascade and to modify Seattle's rights and duties with respect to Seattle Contract Purveyors;

d. contract for, or assume certain contractual rights and duties related to the Tacoma Second Supply Pipeline project;

e. purchase and provide water supply, transmission services, treatment facilities and other related services;

f. provide conservation programs to promote the wise and efficient use of resources;

g. carry out emergency water supply and shortage management programs for its Members when demands exceed available supply;

h. coordinate and plan cooperatively with other regional or local water utilities and other entities to maximize supply availability and to minimize system costs;

i. develop a Water Supply Plan addressing the needs of its Members and develop a Watershed Management Plan serving the needs of its Members and Cascade itself and develop a regional water supply plan with other water providers as Cascade may find convenient or necessary to meet regional, state and federal planning requirements, and to take a leadership role in developing and coordinating those supply plans;

j. share costs and risks among Members commensurate with benefits received; and

k. carry out, or to further other water supply purposes that the Members determine, consistent with the provisions of this Contract.

Section 3.5 Powers. To further its purposes, Cascade has the full power and authority to exercise all powers authorized or permitted under RCW 39.34 and any other laws that are now, or in the future may be, applicable or available to Cascade and to engage in all activities incidental or conducive to the attainment of the purposes set forth in Section 3.4 of this Contract, including but not limited to the authority to:

a. acquire, construct, receive, own, manage, lease and sell real property, personal property, intangible property and other Water Supply Assets;

b. operate and maintain facilities;

c. enter into contracts;

d. hire and fire personnel;

e. sue and be sued,

f. exercise the power of eminent domain (through its Members at their individual discretion, unless and until Cascade has that power under applicable law);

g. impose, alter, regulate, control and collect rates, charges, and assessments,

h. purchase and sell water and services within and outside the geographical boundaries of its Members;

i. borrow money (through its Members or other entities at their individual discretion or as authorized by Chapter 39.34 RCW now or in the future), or enter into other financing arrangements;

j. lend money or provide services or facilities to any Member, other governmental water utilities, or governmental service providers;

k. invest its funds;

l. establish policies, guidelines, or regulations to carry out its powers and responsibilities;

m. purchase insurance, including participation in pooled insurance and self-insurance programs, and indemnify its Members, officers and employees in accordance with law;

n. exercise all other powers within the authority of, and that may be exercised

individually by all of its Members with respect to water supply, conservation, reuse, treatment and transmission, or any of the other purposes set forth in Section 3.4;

o. exercise all other powers within the authority of, and that may be exercised individually by all its Members with respect to watershed planning and management; and

p. exercise all other corporate powers that Cascade may exercise under the law relating to its formation and that are not inconsistent with this Interlocal Contract or with Chapter 39.34 RCW or other applicable law.

ARTICLE 4. Organization Structure; Board

Section 4.1 Composition, ByLaws and Meetings. Cascade is governed by a Board of Directors consisting of one individual representative appointed by Resolution of the Member's legislative authority. Members may similarly appoint Alternate Board Members. Each Board Member and each Alternate Board Member must be an elected official of the Member.

The Board shall adopt ByLaws consistent with this Interlocal Contract that specify, among other matters, the month of Cascade's Annual Meeting, Board powers and duties and those of the Executive Committee, Standing Committees, Officers and employees.

The Board shall meet as required by the ByLaws, but no less than quarterly.

Section 4.2 Powers of the Board. The Board has the power to take all actions on Cascade's behalf in accordance with voting provisions set forth in Section 4.3. The Board may delegate to the Executive Committee or to specific Cascade Officers or employees any action that does not require Board approval under this Contract.

Section 4.3 Voting. All Board actions must be approved by Dual Majority Vote of all Members, except where this Contract requires either a 65% Dual Majority Vote, as provided in Sections 5.2, 5.5, 7.1, 7.3, 8.3, 10.3, 10.4, and Article 11; or ratification by the Members'

legislative authority, as provided in Section 10.4 and Article 11. The Board may act by voice votes, as set forth in the ByLaws. Any Member may require a recorded tabulation of votes either before or immediately after a voice vote is taken. Although voting is, in part, based on Weighted Vote, the Members expressly agree that there is only one class of voting membership, and voting occurs within that single class.

Any Member that has been declared to be in default of its obligations under this Interlocal Contract by the Board shall lose its right to vote until the Board has declared the default to be cured.

Section 4.4 Officers and Committees. Cascade Officers shall include a Chair, a Vice Chair, a Secretary and a Treasurer. The Chair serves as the chair of the Board (and may be known as the "President", if the ByLaws so designate) and performs those duties set forth in the ByLaws.

The Vice Chair shall perform the duties of the Chair in the Chair's absence and shall perform other duties as set forth in the ByLaws. The Secretary shall be responsible for Cascade records and performs other duties as set forth in the ByLaws. The Treasurer shall be responsible for Cascade accounts and financial records and performs other duties as set forth in the ByLaws.

Consistent with the provisions of this Contract, the Board may, in the ByLaws, establish additional Officers and set forth their duties.

The Board may create and appoint Members to Standing Committees and special committees as it deems appropriate. Committee Members need not be elected officials or employees of Members, but Standing Committee Chairs must be Board Members or Alternate Board Members.

Section 4.5 Executive Committee. The Chair, Vice Chair, Secretary, Treasurer and chairpersons of Standing Committees together constitute Cascade's Executive Committee. The Chair (or acting Chair) shall vote on matters before the Executive Committee only if necessary to break a tie. The Executive Committee's duties and responsibilities are set forth in the ByLaws. The Executive Committee shall not have the power to:

a. approve any contract for a term longer than three years;

b. approve any contract involving expenditure by, or revenue to Cascade in excess of such amounts and under such circumstances as set forth in the ByLaws;

c. retain or dismiss the chief executive officer or determine the chief executive officer's compensation; or

d. take any actions expressly reserved to the Board by this Contract or the ByLaws.

The Executive Committee shall have the authority, if necessary, to avoid default on any Bond, to withdraw from any capital reserve fund or rate stabilization fund, an amount equal to the amount necessary to avoid a default and to authorize payment of that amount to avoid default.

Section 4.6 Staff, Consultants and Contractors. Cascade staff shall consist of a chief executive officer and other positions established by the Board. The Board shall appoint, designate the title of, and establish the compensation range of the chief executive officer. The Board shall hire or retain legal counsel and independent accountants and auditors for Cascade. The authority to hire other consultants may be delegated to the Executive Committee. The chief executive officer appoints persons to fill other staff positions, and those appointments may be subject to ratification by the Board or the Executive Committee if the ByLaws so provide. The Board may also provide that administrative, professional or technical services be performed by contract.

Section 4.7 Budget; Dues; Financial Management. The Board must approve an annual budget determining Cascade's revenues and expenditures no later that sixty (60) days before the beginning of the fiscal year in which that budget will be in effect. The budget will be developed and approved according to a schedule established by the ByLaws. The budget must identify the levels of Member Charges on which revenue projections are based. The Board may amend the budget.

Each Member must pay annual dues to defray part of Cascade's administrative costs based on the number of CERUs served by its water system, regardless of water usage or capacity, and regardless of whether those units are served by the Supply System or by Independent Supply. Total dues collected from all Members may not exceed the greater of $1,000,000.00 or 5% of Cascade's annual revenue requirement, less debt service. The Board may establish minimum annual dues per Member and may provide that less than all of a Member's CERUs be taken into account in establishing dues.

All Cascade books and records shall be open to inspection by the Washington State Auditor.

ARTICLE 5. Asset Development and Supply Commitment

Section 5.1 Property Acquisition, Ownership and Disposition. Cascade may construct, purchase, rent, lease, manage, contract for, or otherwise acquire and dispose of Water Supply Assets and other assets. Cascade may control and manage both the assets it owns and the assets that are owned by Members that have transferred control and management of those assets to Cascade. This Contract does not vest in Cascade any authority with respect to Members' other facilities or assets, such as Water Supply Assets retained by Members as Independent Supply.

Subject to Cascade's agreement, a Member may transfer to Cascade its title to, or operational control and management of Water Supply Assets. Water Supply Assets may also be fully retained by Members as Independent Supply, subject to the provisions of Article 6. At the discretion of the Board, Cascade may accept title to, or operational control and management of Water Supply Assets offered by Members or accept supply assets that constitute all or part of a Member's Satellite System(s). The Board may accept supply assets subject to the terms and conditions arranged between Cascade and the Member, based on the result of the audit process and mutual needs.

Cascade may enter into Asset Transfer Agreements which shall provide for the terms and conditions of: (a) Cascade's operation of the transferred Water Supply Asset with respect to the Member transferring the asset; (b) Cascade's operation, maintenance and replacement of the Water Supply Asset as part of the Supply System; (c) return or disposition of the Water Supply Asset if Cascade terminates its existence or the Member withdraws; (d) continuation of service (if appropriate) to Members or former Members by the Member receiving the Water Supply Asset at reasonable rates and charges or payment to Cascade of the cost of replacing the Water Supply Asset; and (e) such other conditions as the Board and the Member agree upon.

Members shall not be deemed to hold legal ownership rights in any Water Supply Assets owned by Cascade, whether those Water Supply Assets have been developed by, purchased by, or transferred to Cascade, and regardless of the accounting treatment of RCFC payments and other payments made to Cascade.

Section 5.2 Supply Commitment

Section 5.2.1 Commitment to Members. Beginning on the Cascade Supply Date, Cascade shall provide a Full Supply Commitment to each Founding Member. Thereafter, Cascade shall provide a Full Supply Commitment to meet all current and future water supply needs of a Member that joins with Water Supply Assets sufficient to provide for its needs during the following fifteen (15) years (whether or not those Water Supply Assets are transferred to Cascade or retained as Independent Supply) commencing on the Member's Cascade Supply Date. When a supply contract is negotiated with Seattle, any Member that is a Seattle Contract Purveyor shall relinquish its rights under its Seattle Water Purveyor Contract to Cascade and execute such documents as may be necessary to transfer those rights to Cascade. Cascade shall accept those rights and a corresponding obligation to provide a Full Supply Commitment (net of Independent Supply). The approval of a contract with the City of Seattle providing for the initial acquisition of rights to substantial Water Supply Assets, and any material amendment to that contract, shall be effective upon a 65% Dual Majority Vote.

Any Full Supply Commitment shall be subject to water shortages, to Cascade's ability to implement the Water Supply Plan, and to the portion of the Member's needs that can be served by the audited capacity of its Independent Supply. If the needed supply is not available, the shortage shall be shared by all the Members in accordance with Cascade's shortage management plan, except as otherwise provided in Section 5.5. Cascade is not obligated to provide water supply to service area expansions in or outside the urban growth boundary, unless Cascade agrees to such expanded service area. However, Cascade shall be obligated to provide water supply to the entire service area of each Member (as that service area is defined in terms under which the Member was admitted), whether or not some of that service area is within the Member's current

jurisdictional boundaries and/or within the current urban growth boundary. Cascade is not obligated to provide increased water supply to any Member if it is determined that the Member's planning process or plans are materially out of compliance with the requirements of the Growth Management Act.

A Member that joins with Water Supply Assets insufficient to provide for its needs for fifteen (15) years receives the Full Supply it desires only if, when, and to the extent it is available within reliability standards determined by Cascade's system reliability methodology. If sufficient Full Supply is not available within reliability standards determined by Cascade's system reliability methodology, the Member receives partial Full or Interruptible Supply, and Full Supply must be provided within fifteen (15) years. Cascade shall then undertake to include in Cascade's Water Supply Plan, and to acquire the facilities or other assets necessary in the Board's determination to provide for that deficit. If Cascade fails to develop sufficient assets to timely provide the increased Full Supply, the commitment becomes a Full Supply Commitment at the end of that fifteen- (15) year period, and any shortage shall be shared by all Members in accordance with Cascade's shortage management plan.

If multiple Members request new Full Supply, requests must be honored in the order received (i.e., in the order in which application is made accompanied by the application fee). With respect to new Members, requests for Full Supply "vest" no earlier than the date that membership is effective. In cases of conflict or ambiguity, the Board may determine the order of requests.

Section 5.2.2 Additional Rules for Members Retaining Independent Supply. Whenever Cascade has a Supply Commitment to a Member that retains Independent Supply, Cascade shall provide Full Supply for all of that Member's water supply needs minus the amount

of water that an audit determines may be provided by that Member's Independent Supply. Members are not required to share shortages resulting from the loss of all or part of Independent Supply, although Cascade may make Interruptible Supply available to a Member that loses Independent Supply at prices that are consistent with the price of Interruptible Supply being made available to others at that time. Cascade may at any time and at its cost and expense carry out audits of a Member's Independent Supply.

A Member requesting an additional Full Supply Commitment due to loss of Independent Supply shall make that request by Resolution of the requesting Member's legislative authority. When and as determined by the Board, the Member shall pay an amount equal to the RCFCs allocable to the number of CERUs that can be served by the replacement supply provided or to be provided by Cascade. Cascade shall then include the supply in its Water Supply Plan, and provide the supply when it becomes available, but in any event within fifteen (15) years. If, within fifteen (15) years the supply is not available, Cascade's commitment becomes a Full Supply Commitment and any shortage with respect to that supply must be shared by all the Members in accordance with the Shortage Management Plan, except as otherwise provided in Section 7.3.

Section 5.2.3 Additional Rules for Source Exchange. The Board may, at its sole discretion, authorize a Cascade Source Exchange Program Agreement with a Member or Non-Member. The terms and conditions of a Cascade Source Exchange Program Agreement shall be developed from a source exchange proposal submitted to the Board. The agreement shall identify: (a) the water right (instantaneous and annual) to be augmented or replaced; (b) the Water Supply Assets to be utilized; (c) mechanisms and arrangements for delivery of regional water; (d) characteristics of supply obligation (for example, peak and average quantities, seasonal or annual

delivery, duration, interruptibility and shortage management); (e) reporting requirements; (f) changes in operation needed to benefit stream flow and fish; (g) rates and charges; and (h) such other conditions as the Board and the Member or public water supplier agree upon. The agreement may or may not provide for adjustments to a Member's RCFC payments or credits and whether or not the source exchange is a loss of a Member's Independent Supply that would be subject to the provisions of Section 5.2.2.

Section 5.3 Financing of Assets. The acquisition of new capital facilities and other Water Supply Assets may be financed using RCFCs, transfers of Water Supply Assets, Rates and Charges, the issuance of revenue Bonds and such other sources as the Board may deem appropriate.

Section 5.3.1 Issuance of Bonds. An Authorized Issuer may issue Bonds payable from and secured solely by all or a portion of Net Cascade Revenue, evidencing indebtedness up to an amount approved by Resolution of the Board in order to provide financing or refinancing to acquire, construct, receive, own, manage, lease or sell real property, personal property, intangible property and other Water Supply Assets, to establish debt service reserves, to provide for capitalized interest and to pay the costs of issuance of, and other costs related to the issuance of the Bonds. Such Bonds shall be payable solely from all or a portion of the Net Cascade Revenue or (if the Authorized Issuer is other than Cascade) from payments to be made by Cascade out of all or a portion of Net Cascade Revenue, and such Bonds shall not pledge the full faith and credit or taxing power or, except as expressly provided by contract, the revenue, assets or funds of any Member.

Members serving as Authorized Issuers may conduct the financing through "separate

systems" permitted by their applicable bond resolutions, or in some other appropriate manner, and Cascade may compensate those Members for all costs associated with the financing. Bond-related documents of Authorized Issuers other than Cascade must expressly permit the Bonds to be refunded or prepaid without penalty prior to their stated maturity, on and after such dates as are approved by the Authorized Issuer and the Board, to allow for a transfer of the obligation to Cascade or to Cascade's successor entity, including without limitation a joint operating agency or similar entity, as may be permitted by law.

Section 5.3.2 Pledge of Revenues. For as long as any Bonds payable from Net Cascade Revenue (or any portion thereof) are outstanding, Cascade irrevocably pledges to establish, maintain and collect all Member Charges in amounts sufficient to pay when due the principal of and interest on the Bonds (and, if the Authorized Issuer is other than Cascade, in addition to the foregoing pledge, to pledge to make timely payments to that Authorized Issuer for the payment of principal of and interest on the Bonds), together with amounts sufficient to satisfy all debt service reserve requirements, debt service coverage requirements, and other covenants with respect to the Bonds.

Each Member hereby irrevocably covenants that it shall establish, maintain and collect rates, fees or other charges for water and other services, facilities and commodities related to the water supply it receives from Cascade and/or its water utility at levels adequate to provide revenues sufficient to enable the Member to: (a) make the payments required to be made under this Contract; and (b) pay or provide for payment of all other charges and obligations payable from or constituting a charge or lien upon such revenues. Each Member hereby acknowledges that this covenant and its covenant in Section 7.9 of this Contract may be relied upon by Bond

owners, consistent with this Contract.

Each Member shall pay the Member Charges imposed on it whether or not the Water Supply Assets to be financed through the issuance of Bonds are completed, operable or operating, and notwithstanding the suspension, interruption, interference, reduction or curtailment in the operation of any Water Supply Assets for any reason whatsoever, in whole or in part. Member Charges shall not be subject to any reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or nonperformance of any Member, or of any entity under this or any other agreement or instrument. However, credits against future RCFCs and Rates and Charges described in Sections 5.5 and 7.5, respectively, for development or addition of excess capacity that is either transferred to Cascade or retained as Independent Supply, shall not be considered "offsets" or "reductions" for the purposes of this Section.

If, in connection with the issuance of obligations, any Member establishes a new lien position on revenues relating to its water utility, that Member shall covenant in the relevant documents that the amounts to be paid to Cascade as Member Charges shall be treated either: (a) as part of that Member's internal operation and maintenance costs payable prior to debt service on those obligations; and/or (b) for any portion of those Member Charges that is allocable to capital costs, as a contract resource obligation payable prior to debt service on those obligations. If any Member has existing outstanding revenue obligations relating to its water utility, it shall include substantially similar "springing covenants" in the documents relating to any new parity obligations.

Section 5.3.3 Continuing Disclosure. To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule") as applicable to a

participating underwriter for any Bonds and any obligation of each Member as an "Obligated Person" under the Rule, Cascade and each Member agree to make an appropriate written undertaking, respectively, for the benefit of holders of the Bonds consistent with the requirements of the Rule.

Section 5.3.4 Preservation of Tax Exemption for Interest on the Bonds. Each Member covenants that it will take all actions necessary to prevent interest on tax-exempt Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of tax-exempt Bonds or other funds treated as proceeds of those Bonds at any time during the term of those Bonds that will cause interest on those Bonds to be included in gross income for federal income tax purposes.

Section 5.3.5 Additional Certificates. Each Member further agrees to provide such certificates or verifications as are reasonably requested by an Authorized Issuer in connection with the issuance of Bonds under this Section.

Section 5.4 Supply Expansions and System Extensions. Cascade must provide for Supply System expansions and extensions to meet the needs of additional water customers of Members, subject to consistency with applicable growth management plans and comprehensive plans, Cascade's water supply plan, orderly asset development, reasonable cost and financing capacity. The Board shall establish a water supply development process, including criteria governing the evaluation of new projects, and that process must promote equality of costs and services (other than direct local services), regardless of geographic location. The results of the water supply planning process must be reflected in Cascade's Water Supply Plan. The Board shall have the authority to undertake new projects identified in Cascade's Water Supply Plan for the

expansion of Water Supply Assets and regional transmission system extensions to meet Members' projected needs. To reduce costs, Cascade may, to the extent that the Board deems advisable, enter into agreements with Members to wheel water through their existing systems. When facilities are constructed that are used partially by Cascade for wheeling water and partially by Members or other entities for their purposes, the Board may determine an appropriate Cascade contribution to the cost of those facilities. Existing arrangements among Members (and between Members and Non-Members), in place when a Member joins Cascade, remain unaffected except as otherwise agreed between Cascade and the other entities concerned.

Section 5.5 Regional Capital Facilities Charges. To allocate growth costs to those Members that require capacity increases, each Member shall pay to Cascade an RCFC for each new CERU connected to its water distribution system. Growth in water usage by existing CERUs is not subject to RCFCs unless that growth constitutes a CERU increase as provided in the RCFC Methodology. Members with a supply deficit must pay an RCFC commensurate with that deficit. To the extent that a Member transfers to Cascade or retains as Independent Supply water supply in excess of its needs, it receives a corresponding credit against future RCFCs.

Subject to the provisions of Section 5.2.2, a Founding Member pays no RCFCs with respect to the number of CERUs served as of January 31, 2003, or other such later date as determined by Resolution of the Board.

A new Member with adequate supply shall commence paying RCFCs fifteen (15) years prior to the date that its Water Supply Assets are projected to be insufficient to provide for its needs as determined by the Board (taking into consideration the results of the Water Supply Audit).

A Member that joins with Water Supply Assets that are projected to be insufficient to provide for its needs for fifteen (15) years shall immediately pay RCFCs for the number of CERUs representing the deficit as determined by the Board.

RCFCs shall be calculated according to the RCFC Methodology, which shall define the analytical steps required to calculate the RCFCs according to the greater of: (a) the incremental difference between the average unit cost of expanding the system (i.e., the marginal cost of new capacity) and the average unit cost of the existing system; or (b) the average unit cost of past construction of the existing system plus then-planned Supply System improvements. The methodology shall provide for an annual escalator, recalculation and update not less frequently than every fifth year, and a methodology for determining CERUs. The RCFCs shall be imposed on the Member for each new CERU of that Member in accordance with the terms of this Contract. Amendments to the RCFC Methodology shall require a 65% Dual Majority Vote.

If a Founding Member owns Water Supply Assets or transfers Water Supply Assets to Cascade under Section 5.1, to the extent the audited capacity of those assets (including Seattle Contract Purveyor rights) exceeds the Member's needs, that Member shall receive a credit against future RCFCs. If a Member seeks to transfer assets substantially in excess of its foreseeable needs, Cascade may negotiate appropriate compensation arrangements for the transfer.

Members that develop new Independent Supply that is approved by the Board in accordance with Article 6, similarly receive a credit effective when the Independent Supply is placed in service as determined by the Board.

A Member that accepts ownership of a Satellite System that Cascade agrees to serve shall pay an RCFC for the amount of supply needed to serve that system in excess of its rated capacity.

Members that experience a net reduction in the number of CERUs served shall receive a CERU-for-CERU credit against future RCFCs.

RCFC credits may not be transferred among Members without Board approval.

Members shall not be required to pass RCFCs to their customers as capital facilities charges, but may provide for the payment of RCFCs in whatever manner they deem appropriate.

For Members joining with an unmet net supply need, Cascade may, under circumstances determined by the Board, require the prepayment of RCFCs allocable to the full amount of the requested supply, i.e., when funds are needed to begin the construction of facilities immediately.

Section 5.6 Transfer Upon Mergers, Consolidations and Assumptions. If: (a) two or more Members merge or consolidate; (b) a Member or a Non-Member assumes jurisdiction of part or all of a Member; or (c) a Member assumes jurisdiction of part or all of a Non-Member, the jurisdictions' water supply rights from and obligations to Cascade must be transferred or assumed under applicable law and consistent with the requirements of this Contract and the obligations of Cascade.

ARTICLE 6. New Independent Supply

Members may not bring new Water Supply Assets on-line as Independent Supply without Board approval. That approval may be granted or denied following an evaluation process, based on whether the Board determines that development of the proposed Independent Supply will benefit or be adverse to the interests of the Members as a whole. Recognizing that in certain circumstances the acquisition of additional Independent Supply might benefit (or cause no material harm to) the Members, new supplies under one (1) MGD may be approved by the Board regardless of the provisions of the Water Supply Plan and without a formal evaluation process.

New supplies in amounts greater than one (1) MGD must be described in and be consistent with the Water Supply Plan.

Members that have invested in the development of new Independent Supply assets may offer to sell their interest in such assets to Cascade. Cascade may, in its sole discretion and subject to mutually agreeable terms and conditions, purchase the Member's interest in such Independent Supply asset by reimbursing or otherwise compensating the Member for its investment in the project to the extent that investment has been capitalized. Once Cascade has purchased a Member's interest in a project, the project will be considered a Water Supply Asset of Cascade and be incorporated into the Water Supply Plan.

ARTICLE 7. Asset Management

Section 7.1 Supply System Management. Cascade is responsible for managing, on behalf of all Members, the Supply System. Cascade is not responsible for managing Independent Supply unless it has expressly agreed to do so. Supply System management responsibilities shall be governed by Cascade's system management plan adopted by the Board. Cascade's system management plan concerns, without limitation, matters such as daily system operations and maintenance, interface with other supply providers, contractual obligations, water quality, billing, management and administration. Cascade may delegate and/or contract out its Supply System responsibilities.

Cascade must manage the Supply System in compliance with applicable laws, regulations and Cascade's minimum service standards. Adoption and amendments to the minimum service standards shall require a 65% Dual Majority Vote.

Section 7.2 Conservation. Cascade shall develop and carry out, and Members must participate in, water conservation programs that are uniform among Members. The Board shall develop and implement a Cascade conservation management plan that provides a mandatory base conservation program that functions to reduce both average and peak demands and may establish a charge or assessment to fund development and implementation of the program. Members may implement additional conservation programs. The Board may adopt wholesale charges in addition to normal Demand Share charges to encourage resource conservation. The Board may also provide or contribute to additional local conservation programs that are not offered to all Members, and these local programs may be locally funded or funded by Cascade. Members that fail to comply with base programs as set forth in Cascade's conservation management plan may be required to assume a disproportionate reduction in water supply or to pay penalty charges, or both.

Section 7. 3 Shortages and Emergency.

Section 7. 3.1 Shortages. Members must respond to water shortages in a collective, shared fashion under a Cascade shortage management plan adopted by the Board. Resources must be shared in a manner that reduces the risk of severe shortages to each Member. Cascade's shortage management plan may include without limitation, a definition and classification of shortages, a shortage contingency plan including mandatory programmatic actions among all Members in the event of shortages, allocation of authority for determining and responding to shortages, and a communications and outreach program for the public. Members shall not be required to implement Cascade's shortage management plan in areas not served by the Supply System.

In the event of shortages, Cascade shall reduce or halt Interruptible Supply before invoking the Shortage Management Plan with respect to all Members with a Full Supply Commitment. However, the Board may, by 65% Dual Majority Vote, continue service in the amounts it deems appropriate to one or more Members receiving Interruptible Supply.

The Board may require that Members failing to comply with mandatory shortage management programs implemented under Cascade's shortage management plan assume a disproportionate reduction in supply or pay penalty charges, or both.

In the event of a Cascade-wide water shortage, Members with Independent Supply may, without penalty, decline to participate in the shortage management program for that shortage by foregoing all supply from Cascade for the duration of the emergency or shortage.

To avoid shortages resulting from emergencies or the inability to develop sufficient supplies, the Board may, by 65% Dual Majority Vote, establish moratoria on connections or additional commitments for future water services by the Members. A moratorium may be discontinued by a Dual Majority Vote of the Board.

Section 7. 3.2. Emergency. The Board shall include in Cascade's shortage management plan policies and procedures for addressing short-term disruptions of water supply, transmission or water quality, and it may delegate to the General Manager authority to address such disruptions according to such policies and procedures.

Section 7.4 Water Quality. Cascade shall be responsible for water quality that meets or exceeds all federal or state requirements at the point of delivery from Cascade to the Member, consistent with applicable laws and regulations. Cascade assumes source water quality responsibility and liability with respect to Water Supply Assets under its ownership or control

(including water wheeled to a Member through another Member's facilities). Cascade is also responsible for preparing and carrying out water quality activities compatible with the water quality requirements of regional water suppliers integrated with Cascade's system (e.g., Tacoma, Everett and Seattle).

Cascade may, in its sole discretion, determine and adjust the appropriate method and level of treatment of water that it supplies, so long as that water meets applicable state and federal requirements. If water that it supplies meets those requirements, Cascade shall not be obligated to adjust the method or level of treatment so that the water can be more readily blended with a Member's Independent Supply or more readily transmitted through a Member's internal system. Each Member shall remain responsible for water quality within its respective distribution system, assuming that adequate water supply quality is provided by Cascade at the point of delivery from Cascade.

Each Member shall be responsible for all costs related to making water supplied by Cascade compatible with that Member's internal system, including but not limited to, costs of additional treatment.

Section 7.5 Water Supply Rates and Charges. The Board shall set Rates and Charges according to a Rate Calculation Methodology adopted from time to time by the Board. The Rate Calculation Methodology for Members' Supply Commitment shall provide for the definition and calculation of Demand Shares and for a uniform pricing structure with a commodity charge and fixed charges allocated by Demand Share.

Cascade may sell water to a Non-Member under terms and conditions established by the Board. The terms and conditions shall not be more favorable than the terms and conditions under

which water is sold to Members. Revenue received from the sale of water to Non-Members shall be used to offset or reduce Rates and Charges to Members to the extent practicable, except that such revenue need not be treated as reducing or offsetting those amounts that are necessary for the payment of debt service on Bonds and for the provision of reserve and coverage requirements for the Bonds.

A Member shall be assigned a Demand Share based on the Board's best estimate of capacity to be used by that Member. Initially, the Board may base its estimate on a Seattle Contract Purveyor's use of water from Seattle. For a Member that joins without a supply history as a Seattle Contract Purveyor, or for a Member that has received only part of its water from Seattle, the Demand Share shall be established based on an audit of that Member's past three (3) years of water use. After three (3) years as a Member, the baseline demand and capacity obligation for that Member shall be fixed based on actual experience as a Member. Specific Demand Shares may be set by the Board to account for circumstances, such as (by way of example and not by limitation) costs of extending the Supply System to a Member, or when Independent Supplies affect regional demand patterns. When water supply from Cascade is wheeled through a Member to another Member, Cascade may presume that the first Member receiving the water is the "User" for calculation of Demand Shares unless the Members concerned instruct Cascade to use a different allocation. Rate credits for Water Supply Asset transfers are not deducted in the calculation of Demand Shares but are applied to reduce what a Member would otherwise pay.

The Board must set Member Charges at levels it determines to be sufficient, together with other available revenue sources, to provide adequately for Operation and Maintenance Costs,

Bond debt service, coverage and other covenants, replacement and renewal of facilities, reserves and other costs that the Board deems appropriate. The Board may provide that a Member's failure to participate in the planning process may result in penalty charges.

A Member that has transferred Water Supply Assets shall receive a credit, determined when those assets are audited and transferred, based on the useful life of those facilities and on the Member's use of the water produced by those assets or an amount of water equivalent to the amount of supply from them.

The Board may implement wholesale charges (additional to Demand Share-based charges and variable commodity charges) to reduce extreme peak use (e.g., "peaking-off of the pipe").

Water Rates and Charges must be the same for all Members receiving the same class of service (subject to credits, surcharges and penalty charges).

Section 7.6 New Water Surcharge.

A new water surcharge of $0.75 per 100 cubic feet (ccf) shall be imposed, effective on the Cascade Supply Date, and continue through December 31, 2011. It shall be applicable to all water purchased by Members over and above each Member's Old Water Allowance in the Seattle Purveyor Contract, if applicable, or to all water purchased by non-Seattle Purveyor Members. New water surcharge revenues shall be used to offset or reduce Rates and Charges to Members to the extent practicable, except that such revenue need not be treated as reducing or offsetting those amounts that are necessary for payment of debt service on Bonds and for the provision of reserve and coverage requirements for the Bonds.

Section 7.7 Franchises and Easements. Except to the extent otherwise required by state law, each Member shall provide franchises and rights of way on, under or across that

Member's streets or other property, to Cascade and to other Members for Water Supply Assets, without charging any fees, rent or charges other than the customary and usual right-of-way permit and inspection fees.

Section 7.8 Sales of Water to Non-Members. Unless approved by the Board, a Member shall not sell water, including source exchange water, supplied by Cascade, nor shall a Member sell Independent Supply offset by water supplied by Cascade, to a Non-Member. Notwithstanding the foregoing, any Member may sell water supplied by Cascade to a Non-Member to the extent required by a contract in effect as of the date the Member joins Cascade.

Section 7.9 Payment Procedures; Default; Step-Up Provisions.

Section 7.9.1 Invoice and Payment.

(a) Cascade shall provide each Member with periodic invoices showing the Member Charges payable by that Member for the billing period and the due date. Invoices shall be provided monthly or on other such periodic schedule as determined by the Board, but no more frequently than monthly nor less frequently than once every six months. The Board will determine a due date for all invoices.

(b) Payment of any and all invoices shall be due and payable on or before the due date, and shall be made by wire transfer or such other means as are agreed to by Cascade and the Member. If a treasurer, trustee, fiscal agent or escrow agent is appointed in connection with the issuance of Bonds, Cascade may require, and specify on the invoice, that certain amounts be provided directly to that person or entity, and the Member shall pay those amounts in the manner and to the person so specified.

(c) If full payment of any invoice is not received on or before the due date, such payment shall be considered past due and a late payment charge shall accrue for each day that the invoice remains unpaid. The late payment charge shall equal the product of the unpaid amount and an interest rate established by the Board. Late payment charges shall continue to accumulate until the unpaid amount of the invoice and all late payment charges are paid in full. Further, if an invoice or any portion thereof remains unpaid for more than sixty (60) days after the due date, Cascade may pursue any legally available remedy at law or equity for the unpaid amount, including without limitation, specific performance and collection of the late payment charge. Cascade's right to enforce payments in this regard may be assigned to a treasurer, trustee, credit enhancement provider or other entity. Furthermore, upon written notice, Cascade may reduce or suspend delivery of water until the invoice and late payment charges are paid.

(d) If any Member disputes all or any portion of an invoice, it shall notify Cascade immediately upon receipt. If Cascade does not concur, the Member shall remit payment of the invoice in full, accompanied by written notice to Cascade indicating the portions of the invoice that the Member disputes and the reasons for the dispute. The Member and Cascade shall make a good faith effort to resolve such dispute. If the Member fails to remit payment of the invoice in full pending resolution of the dispute, the prevailing party in an action relating to the collection of that invoice shall be entitled to reasonable attorney fees and costs.

Section 7.9.2 Default and Step-Up.

(a) If any Member fails to make any payment in full for more than fifty (50) days past the due date, Cascade shall make written demand upon that Member to make payment in full within ten (10) days of the date that the written demand is sent by Cascade. If the failure to pay is not

cured within the ten (10) day period, the Member shall be deemed to be in default.

(b) Upon an event of default as described in subsection 7.9.2(a), the other Members shall pay Cascade (in addition to Member Charges otherwise due) the defaulting Member's Member Charges in proportion to each remaining Members' Demand Share in accordance with a schedule established by Resolution of the Board.

(c) The payment of a proportionate share of the existing defaulted Member's Member Charges by Members shall not relieve the defaulting Member of its liability for those payments. Cascade shall have a right of recovery from the defaulting Member on behalf of each Member. Cascade may commence such suits, actions or proceedings at law or in equity, including but not limited to suits for specific performance, as may be necessary or appropriate to enforce the obligations of this Contract against any defaulting Member. Cascade's right to enforce payments in this regard may be assigned to a treasurer, trustee, credit enhancement provider or other entity. Amounts recovered by Cascade as payment of amounts due shall be passed through to each Member in proportion to the share that each assumed, in cash or in credit against future Member Charges as the Board shall determine.

(d) The prevailing party in any such suit, action or proceeding, shall be entitled to recover its reasonable attorney fees and costs against the defaulting Member.

ARTICLE 8. Planning

Section 8.1 Water Supply Plan. Cascade must plan for its Members' water supply needs. That planning shall be to be compatible with the equivalent planning responsibilities of other wholesale water providers and with state, county and city planning responsibilities under the Growth Management Act. The Board must adopt, and may from time to time amend, a Water

Supply Plan that must be based on no less than a twenty- (20) year planning horizon. Cascade shall coordinate its planning effort with local and regional utilities and other appropriate agencies and work to encourage cooperative region-wide planning and coordination.

Each Member shall actively participate in Cascade's water supply planning and shall provide to Cascade accurate data regarding its facilities and operations together with good-faith estimates of future needs and a description of any involvement in the development of new Independent Supplies. Each Member's water comprehensive or system plan shall be consistent with any plans adopted by Cascade, and shall be consistent with applicable requirements of the Growth Management Act and comprehensive plans.

Section 8.2 Watershed Management Plan. Cascade may adopt Watershed Management Plans, as appropriate, for the watersheds within its service area provided that a Watershed Management Plan may take the place of, or may be incorporated into a Cascade Water Supply Plan. In fulfilling its responsibilities for watershed management, Cascade may enter into interlocal agreements with Non-Member municipalities to engage in watershed management, including development of Watershed Management Plans and the implementation and financing of such plans.

Section 8.3 System Reliability Methodology. Cascade shall develop and adopt a system reliability methodology for planning, operation and management purposes. Adoption and amendments to the system reliability methodology shall require a 65% Dual Majority Vote.

ARTICLE 9. Filings

This Contract must be filed with the King County Office of Records and Elections or with any other applicable county auditor, in accordance with RCW 39.34.040, and must be submitted

for review by the Washington State Department of Health and the Washington State Department of Ecology, in accordance with RCW 39.34.050.

ARTICLE 10. Duration and Dissolution; Withdrawal

Section 10.1 Duration. Except as provided in Section 10.3, Cascade shall remain in existence for the longer of the following: (a) the period it holds any assets; (b) the period during which Bonds are outstanding; or (c) the period it continues to include Members.

Section 10.2 Withdrawals. A Member may notify Cascade of its intent to withdraw by delivery to Cascade of a Resolution of its legislative authority expressing such intent. Upon receipt of such Resolution, the Member shall lose its right to vote and the Board shall determine: (a) the withdrawing Member's allocable share of the cost of the then-existing obligations of Cascade; and (b) the withdrawing Member's obligations to Cascade. "Then-existing obligations of Cascade" means obligations or costs incurred by Cascade as of the date the Member's withdrawal notice is received, including but not limited to Bond obligations, contract obligations and cash financed capital projects; provided that a withdrawing Member's allocable share shall in no event include an obligation for future expenses for which Cascade has not incurred a legal obligation; and provided further, that to the extent the Member's obligation (with respect to such costs) is re-paid over time, the Member shall be entitled to a credit for supply abandoned by the Member and is otherwise used by Cascade. A "withdrawing Member's obligation to Cascade" includes but is not limited to, the Member's share of fixed operating costs, any other expenses contained in Cascade's adopted budget for that year, and any assessments or other similar charges lawfully imposed by Cascade. For purposes of the preceding sentence, "fixed operating costs" shall be determined in the year of withdrawal, and the Member's obligation with respect to such

costs shall be limited only to that amount required to pay for supply abandoned by the Member and not otherwise used by Cascade.

The allocable share of cost or obligations shall be determined by the Board, taking into consideration as deemed applicable by the Board: (a) the ratio of the Member's Demand Share to total Member demand; (b) the ratio of the Member's contribution to Cascade revenue to total Cascade revenue including RCFCs; (c) the cost or a portion of the cost of capital projects or facilities specially benefiting the Member; and (d) and any other factor the Board deems appropriate to consider. The Member's withdrawal shall be effective on payment of such allocable share or provision for arrangements to pay such allocable share that are satisfactory to the Board. Until the effective date of withdrawal, the Member shall continue to comply with all applicable provisions of this Interlocal Contract.

Upon withdrawal, except as provided in an Asset Transfer Agreement, the withdrawing Member shall have no right to, or interest in any Water Supply Assets owned by Cascade. The withdrawing Member shall be deemed to have abandoned any and all rights to service, to the use of Cascade Water Supply Assets or other rights with respect to Cascade (except as otherwise expressly provided in this Contract).

Notwithstanding the provisions of this Section 10.2, Cascade will, upon the withdrawal of a Member that has transferred operational control and management of (but not title to) an Independent Supply Asset to Cascade under Section 5.1, return operational control of such asset to the withdrawing Member. Return of operational control and management will be subject to: (a) continued use by Cascade, to the extent and for such time as the Board deems such use necessary for Cascade to continue providing service to its Members; and (b) payment or provision for

payment of any Cascade costs, including but not limited, to those associated with the withdrawing Member's Independent Supply Asset.

The Board may establish additional generally applicable conditions and requirements for withdrawal.

Section 10.3 Dissolution. Cascade may be dissolved by a 65% Dual Majority Vote. Upon dissolution, except as provided in an Asset Transfer Agreement, Cascade's assets initially shall be held by its then current Members as tenants in common. Each Member's ownership interest must be based on that Member's Demand Share as of the time of the dissolution. Cascade's liabilities (including Bonds and other contractual obligations) initially shall be distributed based on Members Demand Shares as of the time of the dissolution. Assets and liabilities must be distributed in accordance with agreement or contract, under a voluntary mediation process, or by a court of law. A court may appoint an arbitrator or special master. Distribution shall be based on the best interests of efficient and economic water supply in the entire area served by the Members, subject to a rebuttable presumption that Water Supply Assets will be returned to the Member that originally transferred them to Cascade. That presumption may be overcome by a showing that another asset distribution is in the best interests of efficient and economic water supply. The proceeds of any sale of assets must be distributed among the then current Members based on the Demand Shares at the time of dissolution.

Section 10.4 Successor Entity. Notwithstanding the provisions of Section 10.3, upon a 65% Dual Majority Vote (ratified within one hundred and twenty (120) days by 65%), as measured by Dual Majority Vote of the Members' legislative authorities, all assets, liabilities, and obligations of Cascade may be transferred to any successor entity (including without limitation, a

joint operating agency or other municipal corporation, as permitted under state law), and all obligations of Members and parties contracting with Cascade become obligations to the successor entity.

ARTICLE 11. Amendments.

Amendments to this Contract shall be effective upon approval by 65% Dual Majority Vote (ratified within one hundred and twenty (120) days by 65%), as measured by Dual Majority Vote of the Members' legislative authorities.

ARTICLE 12. Applicable Law and Venue.

This Contract is governed by the laws of the state of Washington. The venue for any legal action arising from a dispute under this Contract is the Superior Court for King County.

ARTICLE 13. No Third Party Beneficiaries.

There are no third-party beneficiaries to this Contract except for the rights of Bond owners as provided in Section 5.3.2, no person or entity other than an agency signatory to this Contract shall have any rights hereunder or any authority to enforce its provisions, and any such rights or enforcement must be consistent with and subject to the terms of this Contract.

ARTICLE 14. Severability.

If any provision of this Contract or its application is held by a court of competent jurisdiction to be illegal, invalid, or void, the validity of the remaining provisions of this Contract or its application to other entities or circumstances shall not be affected. The remaining provisions continue in full force and effect, and the parties' rights and obligations must be construed and enforced as if the Contract did not contain the particular invalid provision. But if the invalid provision or its application is found by a court of competent jurisdiction to be substantive and to

render performance of the remaining provisions unworkable and infeasible, is found to seriously affect the consideration, and is inseparably connected to the remainder of the contract, the entire Contract is deemed void.

ARTICLE 15. Entire Agreement.

This Contract constitutes the entire and exclusive agreement between the parties relating to the specific matters covered in this Contract. All prior or contemporaneous verbal or written agreements, understandings, representations or practices relative to the foregoing are superseded, revoked and rendered ineffective for any purpose. This Contract may be altered, amended or revoked only as set forth in Article 11. No verbal agreement or implied covenant may be held to vary the terms of this Contract, any statute, law, or custom to the contrary notwithstanding.

ARTICLE 16. Execution.

This Contract may be executed in one or more counterparts.

Signatory Agency

By: E R Oberg

Title: Deputy City Manager Date: 04/15/2005

Attest: Myra L Basch

Title: City Clerk Date: 04/15/2005

Authorized by: Res. No. 7165
(Resolution or Ordinance)

Date: 4/4/2005

Approved as to form:
Patrice C. Cole
Assistant City Attorney

Cascade Water Alliance:

By: _____

Title: Chair Date: DECEMBER 15, 2004

Attest: _____

Title: General Manager Date: DECEMBER 15, 2004

Authorized by: Resolution No. 2004-18

Date: DECEMBER 15, 2004

1327-RES
3/31/2005

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 7165

A RESOLUTION authorizing and directing the City Manager to execute the Amended and Restated Cascade Water Alliance Interlocal Contract.

WHEREAS, the Cascade Water Alliance (Cascade) was formed in April 1999 pursuant to an Interlocal Contract for the purpose of providing water supply to meet the growing demands of its members, including the City of Bellevue; and

WHEREAS, amendments to the Interlocal Contract were approved in September 1999 and November 2002 by Cascade and the City of Bellevue; and

WHEREAS, the Cascade Board passed a resolution for the purpose of adopting amendments to the Interlocal Contract on December 15, 2004; and

WHEREAS, the Amended and Restated Interlocal Contract establishes 1) Cascade as a Watershed Management Partnership as provided in the Interlocal Cooperation Act (Chapter 39.34 RCW), and 2) overall structure and principles for financing projects, borrowing funds, issuing and securing debt; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized and directed to execute the Amended and Restated Cascade Water Alliance Interlocal Contract, a copy of which Contract has been given Clerk's Receiving No. 37403

Passed by the City Council this 4th day of April, 2005, and signed in authentication of its passage this 4th day of April, 2005.

(SEAL)

Connie B. Marshall

Connie B. Marshall, Mayor

Attest:

Myrna L. Basich

Myrna L. Basich, City Clerk

accept ownership of the Pipeline and operate and maintain the Pipeline such that water delivery to its members is consistent with the Cascade Interlocal Contract. Cascade may enter into a contract with another party (which may be a Cascade Member) for maintenance and operations of the Pipeline. Cascade shall provide Bellevue with water supply at a point of delivery at 161st and Newport Way such that Bellevue can continue to provide necessary supply to its customers served from the Pipeline.

C. Bellevue shall retain ownership of and operation responsibility for the booster pump station located at 161st and Newport Way; provided that all of Bellevue's costs associated with the booster pump station, including but not limited to, operations, maintenance, repair and replacement costs, shall be Cascade's responsibility. Costs associated with the booster pump station shall include, but not be limited to, all time and materials and 3rd party expenditures/billables (e.g. power bills) and include an amount not to exceed 18% for overhead and other indirect costs. The 18% overhead rate shall be periodically reviewed and adjusted as necessary to ensure consistency with Bellevue overhead rates. Cascade shall no longer be responsible for costs associated with the booster station if Cascade changes the operation of its system such that the booster pump station is no longer necessary, so long as Bellevue's water supply service to its customers is not adversely impacted. Cascade shall continue to be responsible for any removal or decommissioning costs associated with the pump station.

D. For all non-emergency maintenance and/or repair activities conducted on that segment of the Pipeline situated within Eastgate Park, as depicted on Exhibit A to this Agreement, Cascade agrees to obtain a properly executed Right of Entry from Bellevue, which Right of Entry shall not be unreasonably withheld. Cascade further agrees to return the Eastgate park property to its pre-maintenance or pre-repair condition at the termination of any such activity.

E. Bellevue shall provide Cascade with an easement for operation, maintenance, repair or replacement of the segment of the Pipeline situated in Eastgate Park, as depicted on Exhibit A to this Agreement.

3. Indemnification and Hold Harmless. Cascade shall indemnify, defend and hold harmless Bellevue, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Cascade, its officers, agents or employees, in the performance of this Agreement. This includes but is not limited to any liabilities resulting from:

A. Construction of upgrades to the Pipeline as required by this Agreement or by the Pipeline Operations Agreement.

B. The transition of service from Bellevue to Cascade's supply system.

C. Leaks or breaks in the Pipeline after the execution of this Agreement.

D. Prior and future actions of Cascade and its agents other than Bellevue.

4. Closing. The parties shall not be obligated to close unless and until each party has

performed its covenants and obligations hereunder.

A. Closing shall occur on or before _____ 2006 at the offices of_____, or at such other time and place agreeable to the parties. Bellevue and Cascade shall each be responsible for one-half of the closing costs.

B. At closing CASCADE shall deliver to BELLEVUE:

1. A duplicate original of the Pipeline Operations Agreement properly executed by Cascade.

C. At closing BELLEVUE shall deliver to CASCADE:

1. A Bill of Sale transferring to Cascade all of Bellevue's right, title and interest in the Pipeline and its capacity and warranting that Bellevue has exclusive title to the Pipeline. Other than the above warranties, the Bill of Sale shall indicate that the sale is an "As Is" sale, with no other warranties, express or implied.

2. Properly executed conveyance documents conveying to Cascade those real estate interests (if any) associated with the Pipeline.

3. A duplicate original of the Pipeline Operations Agreement properly executed by Bellevue.

4. "As Built" Pipeline documents in the possession of Bellevue.

D. When the requirements of 3(B) and 3(C) have been fulfilled, this transaction shall be closed without further instruction.

E. To the extent that there are any taxes, special assessments or utility service fees relating to the Pipeline or its use that are the legal obligation of one party but are attributable in part to a time period during which that party did not have possession of the Pipeline, then the parties will share in the obligation to pay such taxes, assessments or fees on the basis of a proration as of Closing. Cascade may record such deeds, assignments and other transfer documents as it desires and shall pay the cost thereof. Based on current State law, the Parties do not expect that any retail sales tax, use tax, real estate excise tax or any other transfer tax will be due on the contemplated transfer. However, if any such tax is due, the Party legally obligated to pay such tax shall do so.

5. Transfer of Responsibility.

A. Effective 12:01 a.m. on the day immediately following Closing, Bellevue relinquishes responsibility for the Pipeline to Cascade, and Cascade assumes responsibility for the Pipeline on that date.

B. Effective 12:01 a.m. on the day immediately following Closing, Cascade shall be fully responsible for the Pipeline at Cascade's sole cost. The Pipeline shall be operated

by Cascade as a regional facility, providing water supply to Cascade members that can be served by the Pipeline.

C. The Pipeline shall be operated according to requirements of law and the terms and conditions of the Pipeline Operations Agreement and the Cascade Interlocal Contract. Cascade shall maintain the Pipeline in accordance with the more stringent of industry standards or standards adopted by Cascade. Cascade shall maintain the Pipeline in accordance with industry standards such that if or when Bellevue withdraws from Cascade or Cascade dissolves, the Pipeline will be in a reasonable condition based upon the length of time it has been in service.

D. Cascade's ownership of the Pipeline shall be subject to the following limitations should Bellevue withdraw from Cascade or should Cascade dissolve.

1. Bellevue withdraws from Cascade:

a. Cascade will continue to own and be responsible for the Pipeline.

b. When Bellevue withdraws, Cascade shall continue to deliver water purchased by Bellevue from sources other than Cascade, through the Cascade Supply System, in an amount equal to the volume of Cascade water received by Bellevue through the Pipeline, at a cost equal to a then agreed upon fair share of Cascade costs. This cost may include operational and future replacement costs. Provided however, if Cascade chooses to upsize the Pipeline to meet its own needs, Bellevue will not be responsible for any of that cost, and Cascade will continue to provide service as provided in this Section 4(D)(1)(b).

2. Cascade Dissolves:

a. The Pipeline and its capacity shall be returned to Bellevue at no cost with no warrantees, guarantees or encumbrances and shall not be subject to Article 10 "Duration and Dissolution; Withdrawal" of the Cascade Water Alliance Interlocal Contract.

b. Bellevue, as owner of the Pipeline, shall continue to allow access by agencies that depended upon this facility for supply service while it was owned by Cascade and shall wheel water for agencies that received supply from Cascade through this facility at a fair cost to be negotiated during the dissolution procedures of Cascade. This cost may include operational and future replacement costs.

6. Severability. The invalidity or unenforceability of any provisions of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respect as if such invalid or unenforceable provisions were admitted.

7. Amendment. No change, amendment or modification of any provisions of the

Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both parties.

8. Authorization. By signing this Agreement, each party certifies that it has the authority to bind its respective governing bodies to all of the terms and conditions of this Agreement.

9. Effective Date. This Agreement is effective upon the date of the last signature below.

CASCADE WATER ALLIANCE, a Washington nonprofit corporation

By: _____
Its: CHAIR
Dated: 6-30-06

Attest:
SECRETARY OF THE BOARD
By: _____

Approved as to form:

By: _____
Attorney for Cascade

CITY OF BELLEVUE, a municipal corporation

By: _____
Its: Interim Deputy City Mgr
Dated: 6-30-06

Attest:
CITY CLERK

By: _____

Approved as to form:

By: _____
Asst. City Attorney

City of Clyde Hill

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Exhibit "A"

FRANCHISE AGREEMENT

WHEREAS, the Town of Clyde Hill and the City of Bellevue desire to enter into a franchise agreement to allow the City of Bellevue to continue to use the public rights-of-way in the Town of Clyde Hill for the purpose of operating the City of Bellevue's water distribution and wastewater utilities within the Town of Clyde Hill; now therefore,

The Town of Clyde Hill and the City of Bellevue agree as follows:

Section 1. Grant of Franchise. The Town of Clyde Hill hereby grants to the City of Bellevue, Washington, and it's successors and assigns, the right, privilege, authority and non-exclusive franchise to continue to enter upon, use and occupy the public rights-of-way and utility easements of the Town of Clyde Hill, Washington, for constructing, maintaining, repairing, renewing and operating water distribution and wastewater collection systems and accessories, in, upon, under, across and through said public rights-of-way and utility easements within the Town of Clyde Hill.

Section 2. Franchise Fee. The City of Bellevue agrees to pay the Town of Clyde Hill a quarterly franchise fee in the amount of 10% of the quarterly gross revenues of the City of Bellevue's water and sanitary sewer utilities derived from the operations of said utilities within the Town of Clyde Hill. The franchise fee provided herein shall be in lieu of any other tax, fee or charge, direct or indirect, imposed by the Town of Clyde Hill on the operations of the City's utilities within the Town of Clyde Hill. The City of Bellevue is authorized to withhold an amount not to exceed $100 from any individual payment to recover its costs of processing such payment.

Section 3. Adjustment to Rate of Franchise Fee. The franchise fee rate set forth in Section 2 above may be modified at any time by the Town of Clyde Hill. The Town of Clyde Hill shall provide the City of Bellevue with written notice of any modification of such rate no later than forty-five (45) days prior to the effective date of such modification.

Section 4. Term and Effective Date. This agreement shall take effect upon execution by both parties and shall remain in effect for a period of ten (10) years from the effective date of this agreement. Upon the expiration of the ten year term, this agreement shall be automatically extended on a year to year basis unless either party gives the other party written notice of its intent to terminate this agreement at least sixty (60) days prior to the next succeeding automatic renewal date.

Town of Clyde Hill

By: Philip G. Rourke
Its: Mayor
Date:

City of Bellevue

By: Phillip Kushlan
Its: City Manager
Date: November 20, 1994

Approved as to form:

Town Attorney

Approved as to form:

City Attorney

Coal Creek Utility District

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WATER SUPPLY BILLING AGREEMENT

Parties to the Agreement

This agreement ("Agreement") is between Seattle Public Utilities ("SPU"), the City of Bellevue ('Bellevue"), the Coal Creek Utility District ("District"), and the Cascade Water Alliance ("Cascade"), collectively referred to as the "Parties".

Purpose

The City of Seattle has different forms of contractual arrangements among its wholesale customers. Some wholesale customers have interties between them that allow for the provision of Seattle water between their respective service areas in order to minimize the cost of water service for their customers. It is in the interest of the Parties to track water wheeled through these interties so that such water can be managed under the provisions of the applicable wholesale contract. This Agreement serves to establish roles and responsibilities of the Parties in relation to metering and billing for water use.

Background

As of January 1, 2004, Seattle entered into a 50-Year Declining Block Water Supply Agreement (Block Contract) with Cascade, of which Bellevue is a member. Seattle also has a 60-year Full Requirements Contract (Full Contract) for water supply with the District.

Effective December 31, 2003 an interlocal agreement (the "Assumption Agreement," provided in Exhibit 3) between Bellevue and the District will take effect providing for the assumption by Bellevue of a portion of the District's service area ("Assumption Area") and certain water and wastewater facilities located within the Assumption Area. As a result of system configuration some of Bellevue's customers within the Assumption Area will continue to receive water supply delivered through District facilities.

The Assumption Agreement provides for the accounting of water supply used by Bellevue customers delivered through Seattle Inlet Meters (Inlet Meters), District Master Meters (Master Meters), and Direct Read Meters (as defined and identified in Exhibit 1).

As a member of Cascade Bellevue will pay Cascade for water supply. By agreement between Seattle and Cascade, Seattle will bill Cascade for water delivered through District facilities to Bellevue customers under the Assumption Agreement. Cascade is obligated to pay Seattle for water supply delivered to Bellevue customers through District water facilities. In addition, the agreement between Seattle and Cascade provides that Bellevue is liable for payments for water supply to Seattle should Cascade fail to make such payments.

Agreement

Section I. Term

A. This Agreement is effective January 1, 2004 ("Effective Date") and ends December 31, 2053 unless terminated sooner by mutual agreement of the Parties or as provided for in Section I.B. below.

B. Bellevue shall have the right to terminate this Agreement if it modifies its water system in a manner that no longer requires it to receive water supply through District water facilities. Bellevue shall give all Parties at least 90-days prior written notice of intent to terminate.

C. Seattle shall have the right to terminate this Agreement upon two years written notice to the Parties provided that Seattle's termination of this Agreement shall not affect its obligations to Cascade under the Block Contract or the District under the Full Contract.

Section II. Meters

A. Maintenance, testing and reporting

1. The District, at its sole expense, (which costs shall be assigned to Bellevue per Section XI of the Assumption Agreement) shall:

   a) Test its Master Meters that supply water to Bellevue not less than once every two years of the Effective Date of this Agreement, commencing in 2005.

   b) Use Seattle or an accredited testing agency mutually agreeable to the Parties to perform tests.

   c) Report test results to all Parties no later than December 31 of the test year or within sixty (60) days of the test, whichever is longer.

   d) Maintain, repair or replace its Master Meters such that they meet American Water Works Association's accuracy standards.

2. Seattle, at its own expense, shall have the right to test the Master Meters at any time upon prior notice to the District. Such test shall fulfill the District's obligations for testing for that two-year period set forth in Section II.A.1.a herein.

3. If, for any reason, the District is found to be out of compliance with the above terms, Seattle shall notify the District and request that a correction is made. If the District does not correct the non-compliant condition within fifteen (15) business days of receipt of such notice, Seattle may test and conduct repairs as needed and bill the District per Section III.A.4.

B. Meter reading, reporting, and auditing

1. The District shall read, and provide a report to the Parties, its Master Meters within three (3) business days of Seattle's Inlet Meter reading dates. Seattle will provide the District with its Inlet Meter reading schedule on or before December

15 of each year for the following year. Seattle may amend this schedule with two weeks' prior notice to the Parties.

2. The District shall record Master Meter readings, together with adjustments for Direct Read Meters and supply-side losses, pursuant to the Assumption Agreement, in substantially the format shown in Exhibit 2.

3. The District shall provide Seattle reasonable access to the vaults containing the Master Meters so that Seattle may, at its sole option and expense conduct periodic meter reading audits by Seattle personnel.

Section III. Billing Payments, Disputes and Adjustments

A. Billing and Payments

1. Seattle shall treat Bellevue's consumption, as reported by the District in Section II.B.2, as part of the total Cascade consumption for the purposes of billing under the terms of the Block Contract. Such Bellevue consumption shall be deducted from Inlet Meter volumes for the purposes of billing the District and the District shall not be responsible to pay Seattle for such Bellevue consumption.

2. The District and Cascade shall promptly pay their bills in accordance with their respective water supply agreements with Seattle.

3. The District, Seattle, Bellevue and Cascade shall make any necessary adjustments to flow data used to calculate demand charges applied under a demand metering program.

4. If Seattle conducts tests on Master Meters as described in Section II.A.3, Seattle will bill the District and expect payment within 45-days of invoice receipt. Bellevue shall reimburse the District for such testing cost pursuant to the terms of the Assumption Agreement.

B. Disputes and Adjustments

1. If any Party to this Agreement contends that another Party is out of compliance with any part of this Agreement, then written notice of any such contention shall be provided to all the Parties.

   a) The Party that is allegedly out of compliance shall have twenty (20) calendar days to respond to such contention in writing.

   b) In the event the response of the Party allegedly out of compliance is not satisfactory to the Party alleging non-compliance, the matter shall be referred to a committee ("Committee") composed of the District's General Manager, Bellevue's Utilities Director, Cascade's General Manager and Seattle Public Utilities' Director, or their designees, for consideration. Matters that are not

resolved by the Committee shall be submitted to mediation as a precondition to any legal action by any Party relating to the matter.

2. Seattle shall have no responsibility for the resolution of any disputes between the District, Bellevue and Cascade or any of their respective customers related to the delivery and metering of water and payments pursuant to this Agreement.

3. Seattle shall make reasonable adjustments to the water consumption of the District and Cascade when such adjustments are requested in writing by both the District and Cascade.

   a) A request for adjustment as a result of meter reading error should reach Seattle within fifteen (15) days of the disputed billing.

   b) A request for adjustment due to meter inaccuracy should reach Seattle within twelve (12) months of the disputed billing.

Section IV. General

A. Notices

All notices, except as otherwise provided in this Agreement, shall be in writing and sent to the following addresses:

Seattle:
Director
Seattle Public Utilities
700 Fifth Avenue, Suite 4900
Seattle WA 98104

Cascade:
General Manager
Cascade Water Alliance
1400 112th Ave SE, Suite 220
Bellevue, WA 98004

District:
General Manager
Coal Creek Utility District
6801 132nd Place SE
Newcastle, WA 98059

Bellevue:
Public Works Director
City of Bellevue
P.O. Box 90012
301 – 116th Ave SE
Bellevue, WA 98009-9012

B. No Third-Party Beneficiaries
This Agreement shall not inure to the benefit or be enforceable by any third party.

C. Incorporation of Exhibits
Any exhibits referred to in this Agreement is incorporated herein by reference as if fully set forth herein.

D. Authority
All persons executing this Agreement in a representative capacity represents and warrants that they have full power and authority to bind their respective organization.

E. Successors and Assigns
This Agreement shall be binding on all successors and assigns of the parties.

F. Amendments
No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement approved and signed by all of the Parties.

Section V. Signatures

Seattle Public Utilities _____ Date 5/20/04
Chuck Clarke, Director

Cascade Water Alliance _____ Date 5/14/04.
Michael A. Gagliardo, General Manager

City of Bellevue _____ Date 05/13/04
Lloyd Warren, Director, Utilities Department

Coal Creek Utility District _____ Date 6/13/2004
Thomas Peadon, General Manager

EXHIBIT 1

LIST OF METERS

The following meters are those referenced in and pertinent to this Agreement.

1. Seattle's Inlet Meters providing service to the District at:

- Station 52 - Tap No. WO 152713
- Station 48 - Tap No. WO 170857

2. The District's Master Meters downstream of Seattle's inlet meters which measure water supplied to Cascade (Bellevue customers):

Site Number	Location	Meter size(s)	Operation
1	6241 Hazelwood Lane	4-inch and 1-inch	Two way
2	112th Ave SE, south of SE 64th	4-inch	Two way
3	114th Ave SE, north of SE 68th	6-inch	Two way
4		Valve, no meter	Maintain in closed position
5	119th Ave SE at SE 68th Place	6-inch	Two way
6	123rd Ave SE at SE 69th Way	6-inch	Two way
7	SE 69th Way at 125th Ave SE	6-inch	Two way
9	128th Place SE at cul-de-sac	4-inch	Two way
10	SE 66th St at Coal Creek Parkway	(2) 1-inch meters	Each is one way

3. Direct Read Meters both existing and future master meters lying within the direct read areas as identified in the Assumption Agreement.

Recommended Reporting Format

MASTER METERS		Current Read (Date/CCF)	Previous Read (Date/CCF)	CCF Cascade to CCUD	CCF CCUD to Cascade
SITE NO. 1					
Hazelwood Lane					
Meter No. 70125069		1-Jan-04	1-Dec-03		
4" to CCUD		100	50	50	
Meter No. 70125069		1-Jan-04	1-Dec-03		
1" bypass to CCUD		100	50	50	
Meter No. 3292985		1-Jan-04	1-Dec-03		
1" to COB		200	50		150
SITE NO. 2					
112th SE & SE 64th					
Meter No. mo62203503		1-Jan-04	1-Dec-03		
4" Sparl. Mag.	Read to COB	200	50		150
	Read to CCUD	100	50	50	
SITE NO. 3					
114th SE & SE 68th					
Meter No. mo62233403		1-Jan-04	1-Dec-03		
6" Sparl. Mag.	Read to COB	200	50		150
	Read to CCUD	100	50	50	
SITE NO. 5					
119th SE & SE 68th					
Meter No. mo62243503		1-Jan-04	1-Dec-03		
6" Sparl. Mag.	Read to COB	200	50		150
	Read to CCUD	100	50	50	
SITE NO. 6					
123th SE & SE 69th					
Meter No. 62253503		1-Jan-04	1-Dec-03		
6" Sparl. Mag.	Read to COB	200	50		150
	Read to CCUD	100	50	50	
SITE NO. 7					
125th SE & SE 69th					
Meter No. mo62223503		1-Jan-04	1-Dec-03		
6" Sparl. Mag.	Read to COB	200	50		150
	Read to CCUD	100	50	50	
SITE NO. 9					
Delmar Woods Apts.					
Meter No. mo62213503		1-Jan-04	1-Dec-03		
4" Sparl. Mag.	Read to COB	200	50		150
	Read to CCUD	100	50	50	
SITE NO. 10					
Coal Ck Pkwy & SE 66th					
Meter No.		1-Jan-04	1-Dec-03		
1" to CCUD		100	50	50	
Meter No.		1-Jan-04	1-Dec-03		
1" to COB		100	50		50
Total Master Meters =				450	1100
		Net to Bellevue =			650

DIRECT READ METERS	
Total Direct Read Meters (Yearly total of CCF for all direct meters /12) =	50

METER SUMMARY	
Total Master Meters (billable to Cascade) =	650
Total Direct Read Meters =	50
Subtotal =	700
Supply Side Loss (2.4% of subtotal) =	16.8
Other Certain Uses (Partial Assumption Agreement; 480 CF/Yr./12) =	40
Total Volume For Reporting Period To Be Billed To Cascade =	757

Note: Sites 4 and 8 do not have meters. Site 4 has a closed valve and Site 8 involved abandoned pipe.

INTERLOCAL AGREEMENT IMPLEMENTING THE CITY OF BELLEVUE'S PARTIAL ASSUMPTION OF THE COAL CREEK UTILITY DISTRICT

RECEIVED
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LEGAL DEPT
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between the City of Bellevue

and the Coal Creek Utility District

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Exhibit B	City of Bellevue—Coal Creek Utility District Common Service Boundary Line
Exhibit C	Water Joint Serving Facilities
Exhibit D	Physical Assets Located in Bellevue
Exhibit E	Water Master Meter Description (Map and Schedule)
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Exhibit I	Agreed Upon Capital Cost Reimbursement Methodology—Water Joint Serving Facilities
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Table 1	Water Joint Serving Facilities
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INTERLOCAL AGREEMENT IMPLEMENTING THE CITY OF BELLEVUE'S PARTIAL ASSUMPTION OF THE COAL CREEK UTILITY DISTRICT

THIS INTERLOCAL AGREEMENT is made between the City of Bellevue, a municipal corporation in King County, Washington ("Bellevue") and Coal Creek Utility District, a municipal corporation in King County, Washington ("District"), hereinafter referred to as the "Parties", implementing Bellevue's partial assumption of the District's service area and facilities lying within Bellevue's corporate limits.

WHEREAS the District provides water and sewer utility service within the corporate limits of the cities of Bellevue, Newcastle, Renton, and unincorporated King County; and

WHEREAS Chapter 35.13A RCW provides the authority for a city to assume all or a portion of the service area of a water-sewer district lying within and outside its corporate limits; and

WHEREAS on August 18, 2000, the Washington State Boundary Review Board for King County adopted its Resolution and Hearing Decision approving the proposed partial assumption of that portion of the District lying within the corporate limits of Bellevue and the area of unincorporated King County surrounded by Bellevue which has been subsequently annexed; and

WHEREAS on August 1, 2001, Bellevue and the District approved a settlement agreement ("Settlement Agreement") establishing that effective December 31, 2003, Bellevue shall assume that portion of the District lying within Bellevue's corporate limits (which includes the former unincorporated area of King County surrounded by Bellevue which was annexed to Bellevue pursuant to Ordinance No. 5270 passed February 5, 2001); and

WHEREAS the Settlement Agreement and Exhibit A to the Settlement Agreement set forth the terms and conditions under which Bellevue's partial assumption shall take place including each Party's responsibility to draft an interlocal agreement to effect the Parties' settlement and the assumption;

NOW THEREFORE, in consideration of the terms and conditions contained in the Settlement Agreement, which is incorporated herein as though fully set forth at this point, the Parties, further agree as follows:

I. PURPOSE

The purpose of this Interlocal Agreement is to provide further direction and/or details to the Parties to implement the Settlement Agreement and the assumption.

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II. DEFINITIONS

For purposes of this Agreement, and unless otherwise provided in this Agreement, the following terms mean:

A. "Assumption Date" – December 31, 2003 at 2:30 p.m.

B. "Assumption Area" – that portion of the District lying within Bellevue's corporate boundaries to be assumed by Bellevue on the Assumption Date. The Assumption Area is shown on attached Exhibit A and the legal description of the common service area boundary is described in attached Exhibit B.

C. "CIP Projects" – Capital Improvement Projects initiated by the District located, in whole or in part, within the Assumption Area.

D. "Coal Creek Parkway Facilities" – the sewer interceptor, water main, and water main appurtenances located along Coal Creek Parkway within Bellevue as of the date of this Agreement, excluding those sewer mains within Bellevue tributary or parallel to the sewer interceptor.

E. "Developer Projects" – extension projects initiated and constructed by owners/developers pursuant to Chapter 57.22 RCW.

F. "Direct Read Meters" – individual customer water meters that are used to measure water use within the Direct Read Meter Areas.

G. "Direct Read Meter Areas" – areas in Bellevue and the District where water use is read on Direct Read Meters. The Direct Read Meter Areas are shown on Exhibit F.

H. "Inlet Meters" – water meters that are used to measure the volume of water delivered by regional water providers to Bellevue and the District from a regional water supply transmission system.

I. "Interim Period" – the period between August 1, 2001 (the effective date of the Settlement Agreement) and the Assumption Date.

J. "Master Meters" – water meters, excluding Direct Read Meters, that are used to measure the volume of water moving between the District and Bellevue service areas.

K. "Old Water Allowance" – the historical average volume of water per month purchased by the District from the City of Seattle between January 1, 1979 through December 31, 1981 which was used for determining the cost for water supplied by Seattle to the District under the District's 1982 wholesale water supply contract as shown on Table 2.

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L. "Parties" – City of Bellevue and Coal Creek Utility District are the two Parties to this Agreement.

M. "Physical Assets" – all District-owned real property, easements, personal property, and other property rights together with all water and sewer facilities.

N. "Reporting Period" – the time interval between readings for the same Inlet Meter or Master Meter from which the total water volume delivered through the meter can be calculated.

O. "Water Joint Serving Facilities" – water system facilities lying within the District that are used to deliver water to both Bellevue and District customers after the Assumption Date. Water Joint Serving Facilities are listed in Table 1 and are shown on Exhibit C.

III. ASSUMPTION

On the Assumption Date, Bellevue shall assume the Assumption Area, which consists of that portion of the District lying within Bellevue's corporate limits (which includes the former unincorporated area of King County surrounded by Bellevue which was annexed into Bellevue pursuant to Bellevue Ordinance No. 5270 passed February 5, 2001), subject to the terms and conditions of this Agreement and that certain Settlement Agreement entered into between the Parties dated 8/1/01. After the Assumption Date, the District shall revise its official boundaries to exclude the Assumption Area. Bellevue shall cooperate with the District in implementing the revision of the District's boundaries and shall not oppose this revision.

IV. DISTRICT AND BELLEVUE RESPONSIBILITIES DURING THE INTERIM PERIOD

A. During the Interim Period, the District shall incur no new debt for which Bellevue would be responsible without Bellevue's written consent. During the Interim Period, Bellevue shall be responsible for relocation costs of District Facilities in the Assumption Area caused by Bellevue initiated projects other than the following:

PW-R-129 124TH Ave. SE Improvements
PW-R-116 Factoria Blvd. Improvements

The maximum amount the District shall be responsible for relocation costs for these two projects shall be $120,000.

B. During the Interim Period, the District shall, at its own expense, continue to own, maintain, improve and operate the water and sewer infrastructure within the District, including the Assumption Area, in accordance with industry standards. During the Interim Period, the

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District shall provide comparable levels of service throughout the entire District service area, including the Assumption Area.

C. Recognizing the value of formalized ongoing communication between the Parties during the Interim Period, the Parties shall schedule quarterly or more frequent, if needed, meetings to discuss ongoing and new transition issues. All such issues shall be resolved no later than the Assumption Date.

V. BOUNDARY AND SERVICE AREAS

A. On the Assumption Date, Bellevue shall become the water and sewer service provider for all customers and areas lying within the Assumption Area. After the Assumption Date, irrespective of the source of water provided to Bellevue customers, Bellevue shall bill Bellevue customers for the water and/or sewer service and shall be the point of contact for Bellevue customers with respect to said service.

B. After the Assumption Date, the District shall remain the water and sewer service provider for all of its customers and areas outside of the Assumption Area. After the Assumption Date, irrespective of the source of water provided to District customers, the District shall bill District customers for the water and/or sewer service and shall be the point of contact for District customers with respect to said service.

C. Exhibit A shows the boundaries and service areas for the District and Bellevue after the Assumption Date. Exhibit B provides the legal description of the common service area boundary between the District and Bellevue after the Assumption Date.

VI. ALLOCATION OF ASSETS

A. Physical Assets

On the Assumption Date, the Physical Assets of the District, with those exceptions identified in this Agreement, shall be allocated (split) along the boundary between Bellevue and the District, with Bellevue assuming ownership of the Physical Assets located within the Assumption Area and the District continuing to own its Physical Assets outside the Assumption Area; provided, however, that the District shall continue to own, operate, and maintain the Coal Creek Parkway Facilities, and any Master Meters to be installed as part of this Agreement within the Assumption Area.

If the District engages in any construction, maintenance, or other activities in Bellevue affecting the Coal Creek Parkway Facilities or Master Meters after the Assumption Date and while it still owns these facilities, the District shall obtain all necessary permits from Bellevue and pay those fees to Bellevue that any other public utility would be required to pay in

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connection with such construction, maintenance, or other activities; provided, however, that the District shall not be required to obtain a franchise from Bellevue for the Coal Creek Parkway Facilities or Master Meters. In addition, the District shall pay for relocation expenses for the Coal Creek Parkway Facilities in accordance with Bellevue City Code Section 14.30.185; with the exception that for the period from the date of the Assumption through December 31, 2009 should the City require the District to relocate these facilities pursuant to BCC 14.30.185, the City shall reimburse the District for all reasonable costs it incurred to relocate the facilities including but not limited to costs of design, engineering, installation, construction management and restoration. Bellevue shall make payment to the District of these costs within ninety (90) days of receipt of the District's invoice. If at any time the District is required to relocate the Coal Creek Parkway Facilities, it shall do so within 365 days of City's written notice to the District to do so. Should the City's project requiring the relocation of CCUD facilities be delayed due to the failure to relocate during the 365 day window, CCUD will be responsible for any costs, penalties or damages resulting from said project delay. Provided further, however, that Bellevue Code Section 14.30.185C or its successor shall not apply until after such time as the District has paid relocation expenses as required under BCC 14.30.185.

The District shall indemnify, defend, and hold harmless Bellevue and its officials, officers, employees, agents, and representatives, when acting within such designated capacity, from all claims, losses, suits, actions, legal or administrative proceedings, costs, attorneys' fees, litigation costs, expenses, damages, penalties, fines, judgments, or decrees by reason of any death, injury, or disability to or of any person or party, including employees, and/or damage to any property or business, including loss of use caused by any negligent act, error, or omission of the District or its officials, officers, employees, agents, representatives, contractors, or subcontractors, when acting within such designated capacity, arising out of any construction, maintenance, or other activities undertaken by the District or its agents on the Coal Creek Parkway Facilities or Master Meters located in the Assumption Area. This indemnification provision applies only to the Coal Creek Parkway Facilities and/or any Master Meters and only to the extent that the claim or cause of action giving rise to the indemnification obligation occurs or arose while the District owned these facilities.

B. Service Lateral Ownership and Responsibility

In the Direct Read Meter Areas certain customers in one Party's service area will receive water service from water mains owned by the other Party. In these situations the Party whose customer is receiving water service shall own, operate, and maintain the customer meter, setter, meter box, and service line up to and including the saddle or tap on the water main. The side sewers of certain customers in one Party's service area will connect directly to a sewer main owned by the other Party. In these

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situations the Party who serves these customers shall be responsible for the operation, ownership, and maintenance of the side sewer (or service lateral) within a right-of-way or easement up to and including the tee or saddle at the sewer main.

If emergency conditions arise in locations where one Party owns the water or sewer main and the other Party owns the appurtenant service lines, side sewers or laterals, the Party that owns the water or sewer mains shall have the responsibility for responding to and alleviating the emergency condition. If the responding Party finds there is reason to believe that the emergency condition may have been caused by the service lines, side sewers, or laterals the other Party shall be notified as soon as practicable.

C. Other Assets

The District shall continue to own its equipment, tools, materials, cash, investments, receivables and reserves, except as otherwise provided in this Agreement.

D. Assessments

Unpaid ULID 7-S assessments after the Assumption Date shall continue to be collected by King County. After the Assumption Date, the District shall annually pay Bellevue one-half of the ULID 7-S assessment revenue collected.

E. Contracts and Agreements

Any maintenance bonds, latecomers agreements, or CIP consultant design agreements for properties or facilities within the Assumption Area shall be assigned to Bellevue on the Assumption Date.

F. Developer Project Disposition within the Assumption Area

1. The District shall complete all review, inspection and administration of any Developer Project initiated within the Assumption Area prior to the Assumption Date. Prior to acceptance of these projects by the District, bills of sale, easements, maintenance bonds, and final engineering estimates of construction costs shall be obtained by the District naming Bellevue as owner/grantee and/or beneficiary.

2. The following documents shall be delivered to Bellevue as soon as possible after Developer Project acceptance by the District.

   - Copy of District Board Minutes accepting the developer extension
   - Bills of Sale

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- Maintenance Bonds
- As-builts
- Final Engineering estimate of Construction Cost
- Developer Extension Agreement
- Recorded Easements
- Applicable Latecomer Agreements

3. Any accounts receivable due the District from the owner/developer of any Developer Project initiated by the District shall remain the receivable of the District.

G. Adjacent Water and Sewer Facilities

Both the District and Bellevue shall have the right to access manholes owned by the other Party for the purpose of inspecting and evaluating facilities that it owns. Similarly, adjacent water valves may be accessed. Each Party shall provide the other upon request copies of its adjacent as-built system and other maps. The Parties shall notify each other prior to accessing these manholes or water valves except in emergency situations.

VII. ALLOCATION OF LIABILITIES

A. 1994, 1998 (ULID 7-S), and 1999 Revenue Bond Issues

The District's total outstanding revenue bond principal and interest obligations for the 1994, 1998 (ULID 7-S), and 1999 Revenue Bond Issues shall be divided between the Parties on the Assumption Date. On or before the Assumption Date, Bellevue shall pay the District an estimated amount sufficient to retire Bellevue's share of the District's then outstanding revenue bonds. This estimated amount shall be equal to the percentage of District annual gross revenue on December 31, 2002 that is represented by District customers within the Assumption Area. The amount paid by Bellevue shall later be revised upward or downward no later than December 31, 2004, based upon a reconciliation using the District's 2003 audited financial statements. In calculating Bellevue's share, Bellevue shall receive credit for the concurrent reduction in the District's revenue bond reserve requirements as a reduction of the net amount to be paid by Bellevue to the District to retire its calculated share of the outstanding District bonds as of the Assumption Date. The District's revenue bond reserves, unspent bond proceeds, and unspent assessments collected as of the Assumption Date shall together be taken into account when calculating the final amount or percentage of the District's bonded indebtedness to be paid by Bellevue so that Bellevue does not, in effect, pay a share of the bonded indebtedness twice. Any allocation of the District's bonded indebtedness shall be subject to bond counsel and underwriter approval.

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B. ULID 7-S

King County shall continue to be the collection agency for the ULID 7-S payments and shall be the responsible agency for any required ULID foreclosure proceedings.

C. District Loan to ULID 7-S

On the Assumption Date, Bellevue shall pay one-half of that portion of the District's loan of $125,873 to ULID 7-S that is still outstanding on the Assumption Date. Bellevue may recover any such payments from future charges to properties in Bellevue that develop to higher densities than anticipated in ULID assessment rolls.

D. Special Connection Charge

After the Assumption Date, Bellevue shall collect from property owners within the Assumption Area subject to District Resolution No. 1193 at the time of the property owner's sewer connection any unpaid special connection charges for the Lake Washington Boulevard Sewer Extension as of the Assumption Date. Bellevue shall pay over these special connection charges to the District within forty-five (45) days of receipt.

E. Unsewered Area Lying Within the Assumption Area

After the Assumption Date, the District shall allow any unsewered properties within the Assumption Area to connect to District-owned facilities, provided that the owners of the connecting properties shall pay the District's then current General Facilities Charge and any special connection charges owed under applicable District resolutions. Bellevue shall collect such charges and pay them over to the District within forty-five (45) days of receipt.

F. Public Works Trust Fund Loans

On the Assumption Date, Bellevue shall pay the District twenty-eight point three percent (28.3%) of the District Public Works Trust Fund principal and interest loan balances outstanding on August 1, 2001. The loan balances shall only reflect loan proceeds that were received by the District as of August 1, 2001.

G. Accounts Payable

Except as otherwise provided in this Agreement, all accounts payable on the Assumption Date shall remain the full responsibility of the District.

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H. Accrued Employee Benefits

Except as otherwise provided in this Agreement, the District shall be responsible for all liabilities for accrued employee benefits for former and current District employees as of the Assumption Date.

VIII. CAPITAL IMPROVEMENT PROJECTS

A. CIP Projects Initiated after January 1, 2003

The District shall provide Bellevue an opportunity to review and comment on all CIP projects in the Assumption Area initiated after January 1, 2003 that are not yet under construction.

B. CIP Projects in Design on the Assumption Date

All CIP projects in the Assumption Area where the design has not been completed on the Assumption Date shall be transferred to Bellevue for completion within a time frame as determined by the process identified in section IV C. The District shall provide copies of all contracts, plans and other related documents to Bellevue pursuant to Section XXI of this Agreement.

C. CIP Projects under Construction on the Assumption Date

CIP projects in the Assumption Area under construction on the Assumption Date shall be completed by the District. Bellevue shall be provided with an opportunity to attend inspections where punch list work items and final acceptance are developed. The District shall provide copies of all contracts, plans and other related documents to Bellevue pursuant to Section XXI of this Agreement.

IX. GENERAL WATER SYSTEM OPERATION DESCRIPTION

The Parties agree to coordinate water quality testing, monitoring, and compliance programs as necessary to meet state and federal water quality requirements. Bellevue and District shall give each other reasonable notice and coordinate operations of their respective facilities when the operations of one Party may impact operations of the other Party's facilities. The operation of the Assumption Area water system after the Assumption Date shall be divided into the following three areas:

A. Factoria Service Area – The Factoria Area is essentially a stand-alone system. After the Assumption Date, Bellevue shall operate this portion of the water system without District input.

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B. 170 Zone Service Area – The area between I-405 and Lake Washington is generally known as the District's 170 service area. After the Assumption Date, water will continue to be provided to this area by both the District and Bellevue. Accordingly, pressure reducing station settings shall be adjusted from time to time as necessary to maintain water quality throughout the system. The District and Bellevue agree to coordinate with each other with regard to any such changes in the system operation that may be required.

C. Newport Hills Service Area – Except as provided in this Agreement, after the Assumption Date the District shall continue to supply water to the Assumption Area of Newport Hills through the Water Joint Serving Facilities and shall operate the Water Joint Serving Facilities without Bellevue's input.

X. WATER JOINT SERVING FACILITIES

A. Water Joint Serving Facilities are listed in Table 1 and shown on Exhibit C. Before and after the Assumption date, the District shall own and be responsible for the maintenance and operation of the following Water Joint Serving Facilities.

TABLE 1
WATER JOINT SERVING FACILITIES

Serving Facilities Listed by Item	**District's Proportionate Share of Capacity**	**Bellevue's Proportionate Share of Capacity**
No. 1: 6″ Asbestos Cement	60.00%	40.00%
No. 2: 8″ Asbestos Cement	60.00%	40.00%
No. 3: 8″ Cast Iron	60.00%	40.00%
No. 4: 8″ Ductile Iron	60.00%	40.00%
No. 5: 12″ Asbestos Cement	50.00%	50.00%
No. 6: 12″ Cast Iron	50.00%	50.00%
No. 7: 12″ Ductile Iron	60.00%	40.00%
No. 8: 16″ Asbestos Cement	50.00%	50.00%
No. 9: 16″ Ductile Iron	50.00%	50.00%

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No. 10: 18″ Ductile Iron	67.00%	33.00%
No. 11: 440 Reservoir (5.0 MG)	67.00%	33.00%
No. 12: 580 Reservoir (1.0 MG)	60.00%	40.00%
No. 13: 580 Reservoir (2.5 MG)	60.00%	40.00%
No. 14: 440/580 Booster Station	67.00%	33.00%
No. 15: Metering Point 5 Booster Station	67.00%	33.00%
No. 16: Hazelwood Pump Station (1)	100.00%	0.00%
No. 17: Master Meters	0.00%	100%

Note (1): The Hazelwood Pump Station is currently used as a backup facility. It is assumed that after the Assumption Date this facility shall continue to be used as a backup facility for the remaining portion of the District not assumed by Bellevue.

B. The District agrees to provide use and capacity of the Water Joint Serving Facilities shown in Table 1 to Bellevue until December 31, 2028. The Parties may agree to extend the use of some or all of Water Joint Serving Facilities by mutual agreement in writing. If Bellevue and the District do not mutually agree to continue joint use of all or part of the Water Joint Serving Facilities beyond that date, Bellevue shall have up to December 31, 2033 to terminate its use of such Water Joint Serving Facilities. If Bellevue elects to continue use of the Water Joint Serving Facilities beyond December 31, 2028, Bellevue shall continue to pay for its fair share of wheeling charges required by this Agreement so long as it continues such use. Bellevue shall give the District at least six (6) months notice of its intent to terminate such use if such use continues beyond December 31, 2028.

C. The District shall wheel water delivered from a regional water provider to Bellevue through the Water Joint Serving Facilities in an amount up to and including the proportionate share of capacity assigned to Bellevue for Water Joint Serving Facilities identified in Table 1.

D. There are additional minor water joint serving facilities not listed in Table 1. On the Assumption Date, Bellevue and the District shall separately own and thereafter be responsible for maintaining these minor water joint serving facilities located within their respective boundaries. Bellevue and the District shall give each other reasonable notice and coordinate operations of their respective facilities when the operations of one Party may impact operations of the other Party's facilities.

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E. As of the date of this Agreement, the number of water joint serving facilities in Bellevue, except for Master Meters and Coal Creek Parkway Facilities, shown on attached Exhibit D are minimal and the cost for their operation, maintenance, replacement, and repair are considered incidental. So long as the number of such facilities remain minimal and the costs nominal, Bellevue shall not charge the District a wheeling charge. If in the future a wheeling charge is applied it shall be based upon the same methodology as provided for in Section XI. The cost for water supplies delivered to District customers through Bellevue facilities shall be accounted for as provided in Section XIV.

F. For those areas that utilize the Water Joint Serving Facilities, Bellevue shall not change the operation of its water system within the Assumption Area without approval by the District. Such approval shall not be unreasonably withheld. Bellevue shall have the option to terminate its use of Water Joint Serving Facilities at any time after the Assumption date subject to its obligations to pay as set forth in Sections XI and XII of this Agreement, after which time Bellevue shall have no obligations to inform or receive approvals from the District for operating Bellevue's water system. If Bellevue's operation of Seattle Inlet Metering Facility Number 6, located at SE 56th and 128th Avenue, results in the District incurring a demand metering charge, Bellevue shall be responsible for this charge.

XI. PAYMENT OF WHEELING CHARGE

A. Methodology for computation

Bellevue shall compensate the District for a proportionate share of costs incurred by the District for the operation and maintenance of Water Joint Serving Facilities through the payment of a wheeling charge determined using the methodology set forth in this Section. The wheeling charge shall commence on the Assumption Date and end on December 31, 2028, unless Bellevue continues to use the Water Joint Serving Facilities after that date in accordance with this Agreement, or the Agreement is terminated by operation of law or by mutual agreement of the parties prior to December 31, 2028. The annual wheeling charge shall be paid by Bellevue to the District in equal monthly installments. The wheeling charge shall be calculated for the year 2004 based upon 2002 District fiscal year-end financial statements. The wheeling charge will be reevaluated in 2005 for the 2006 wheeling charge and every five years thereafter based upon the then most current District fiscal year-end financial statement. In intervening years the wheeling charge shall be annually adjusted for inflation by taking the difference between the latest June Seattle-Tacoma-Bremerton Area Index measurement CPI-U and the immediately preceding June Seattle-Tacoma-Bremerton Area Index measurement CPI-U. Bellevue shall be responsible for costs associated with retaining financial consultants mutually acceptable to both Parties who will conduct

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the financial analysis necessary to determine the wheeling charge for the year. The wheeling charge shall be based upon Bellevue's proportionate share of direct and customer related general and administrative costs incurred by the District for operating and maintaining Water Joint Serving Facilities using the methodology shown in Exhibit H. Bellevue's proportionate share of direct costs shall be determined by using Bellevue's share of capacity as shown in Table 1 whether or not Bellevue's full capacity in the Water Joint Serving Facilities is utilized. Direct costs for the maintenance and operations of Water Joint Serving Facilities shall be based upon a prorated share of District cost pools for all like facilities located within the District. In determining wheeling charges direct costs shall be increased by a factor to reflect District general and administrative (G&A) overhead expenses. The G&A factor will be calculated as of the Assumption Date and again when determining the 2006 wheeling charge. The G&A factor determined in 2005 for 2006 shall be used in all subsequent years. However, in subsequent five-year reevaluations either Party may elect to have the G&A factor recalculated. The Party electing to reevaluate the G&A factor shall be responsible for the additional costs to conduct the evaluation. Exhibit H provides additional background and information for ascertaining costs attributable to Water Joint Serving Facilities to be used in determining wheeling charges.

B. Special Assessments for Emergency Items

Special assessments may be made for emergency maintenance and emergency repair activities of the Water Joint Serving Facilities. For purposes of this section "emergency" means unforeseen circumstances beyond the control of the District that either: (a) present a real, immediate threat to the proper performance of essential functions; or (b) will likely result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken. Each Party shall be assessed and pay such special assessment based on its respective allocation of capacity set forth in Table 1 in the Water Joint Serving Facility.

C. Special Assessments for Major Maintenance

The following activities performed on Water Joint Serving Facilities shall be considered major maintenance activities: tank painting, pump and motor replacement, electrical equipment upgrades/replacement, telemetry upgrades, and altitude valve upgrades/replacement. Bellevue shall reimburse the District for the reasonable cost of such major maintenance items based on its respective allocation of capacity set forth in Table 1 in the Water Joint Serving Facility. This compensation shall be paid by Bellevue during the time period beginning on August 1, 2001 and ending on December 31, 2028, unless Bellevue continues to use the Water Joint Serving Facilities after that date in accordance with this Agreement. The District shall plan and schedule major maintenance items so as to give Bellevue one year's notice prior to commencement of work; provided, however, the District shall give two year's notice to Bellevue for any

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projected project cost of $50,000 or more. Once completed the District shall invoice Bellevue for the Bellevue's share of costs for major maintenance activities and Bellevue shall make payment to the District within forty-five (45) days of receipt of the District's invoice.

D. Exemptions from the Water Joint Serving Facility O&M Cost Pool and Capital Cost Utility Plant Rate Base

When calculating wheeling or capital charges for Water Joint Serving Facilities, the District shall exclude all costs for performing major maintenance, emergency maintenance, emergency repair, and all other costs of activities for which Bellevue directly reimburses the District Bellevue's share. The District shall maintain records that separately account for all such costs identified in this Section.

E. Addition of State excise or other taxes to Bellevue payments to the District

Should the District be responsible for paying State excise taxes or future utility taxes on revenues received from Bellevue, payments for Water Joint Serving Facility wheeling charges, or capital cost reimbursements, Bellevue's payments to the District shall be increased to include the taxes payable by the District. Such tax payments shall be deducted from any cost pools used to calculate Bellevue's share of wheeling charges.

XII. CAPITAL COST REIMBURSEMENT FOR THE REPLACEMENT OF EXISTING WATER JOINT SERVING FACILITIES

A. After the Assumption Date Bellevue shall annually compensate the District for a share of the costs for replacing Water Joint Serving Facilities in accordance with the provisions of this Section. This compensation shall be paid by Bellevue during the time period beginning on the Assumption Date and ending on December 31, 2028, unless Bellevue continues to use the Water Joint Serving Facilities after that date in accordance with this Agreement. Cost recovery shall include two elements: 1) an annual depreciation expense, and 2) an annual rate of return on the Utility Plant Rate Base.

B. As of the Assumption Date Bellevue shall be considered to have fully compensated the District for its share of all Water Joint Serving Facilities constructed prior to the date of this Agreement. As such no capital cost recovery for use of these facilities shall be paid by Bellevue to the District.

C. After the date of this Agreement costs for projects to replace any Water Joint Serving Facility shall be determined by the District. Such costs shall include all expenses for designing, bidding, constructing, and inspecting the project. Bellevue shall have the opportunity to review and comment on any proposed project to replace any Water Joint Serving Facility. Bellevue shall be given the opportunity to review and comment on the

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project scope and design. When each project is completed the cost for the project facility multiplied by Bellevue's proportionate share of capacity for the facility as delineated in Table 1 shall be added to a Utility Plant Rate Base. Costs for projects for which Bellevue pays a fair share of a special assessment for emergency maintenance, emergency repairs, or for major maintenance in accordance with this Agreement shall not be added to the Utility Plant Rate Base.

D. A weighted average cost of capital will be computed for each project based upon the return on investment from District cash contributions, and the cost of each form of debt used to finance the project. Costs for any contributions made by developers, grants, or other contributions-in-aid-of construction (CIAC) shall be considered to have a 0% cost of capital. As additional projects are completed the applied rate of return shall be revised to reflect the weighted average cost of capital for the project combined with the existing costs of capital for all projects previously added to the Utility Plant Rate Base. The return on investment for District cash contributions shall be based upon the most current fiscal year-end State Investment Pool performance. A risk premium of 75 basis points (0.75%) will be added to the most current calculation of the weighted average cost of capital for all projects to establish the allowed rate of return (ROR) on Utility Plant Rate Base.

E. An annual depreciation expense shall be calculated using a straight-line method for the assigned useful life of the facility with no salvage value for each project in the Utility Plant Rate Base. The cost basis for the depreciation expense shall be based upon the original cost for each project less any project costs attributable to any CIAC sources all multiplied by Bellevue's proportionate share of capacity for each facility as delineated in Table 1.

F. For the purposes of this Agreement the assigned useful lives of new Water Joint Serving Facilities shall be:

Water Mains	75 years
Reservoirs	100 years
Boosters and Pump Stations	35 years
Master Meters	35 years

G. Bellevue's total annual depreciation expense shall be the total of the annual depreciation expense for all projects in the Utility Plant Rate Base.

H. The total Water Joint Serving Facilities Utility Plant Rate Base at any given time shall be the original costs for all projects added to the Utility Plant Rate Base less the accumulated depreciation for all projects in the Utility Plant Rate Base and less any portion of such rate base classified as CIAC.

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I. The total annual rate of return on the Utility Plant Rate Base shall be determined by multiplying the year-end total Utility Plant Rate Base times the allowed ROR.

J. Bellevue's total annual compensation to the District for capital cost reimbursements shall be determined by adding the total annual depreciation expense to the annual ROR on the Utility Plant Rate Base. This annual compensation shall be paid by Bellevue to the District in twelve equal monthly installments.

K. Prior to the Assumption Date Bellevue shall not be responsible for any compensation to the District for capital cost reimbursement, except as provided for in Section XI (B) and (C) and Section XIII (D).

L. The District will have no restrictions on how it uses Bellevue capital cost reimbursements.

M. All updates of the Utility Plant Rate Base and weighted average cost of capital shall be based on fiscal year ending financial subsidiary ledgers that record the capital costs, depreciation accounts, source of financing and amount of debt, and cost of capital for Water Joint Serving Facilities. These costs shall be reconcilable to District fiscal year-end financial statements.

N. A theoretical example of how the capital cost reimbursement methodology would apply in this Agreement is described in Exhibit I.

XIII. WATER MASTER AND DIRECT READ METERS

A. Master Meter Service Area

Water flowing through the Water Joint Serving Facilities to Bellevue shall be measured by strategically placed Master Meters. These Master Meters shall be capable of measuring water flowing in both directions. The location and general description of each Master Meter site is shown on Exhibit E and the attached Water Master Meter Areas Schedule. Also shown on Exhibit E and its attachment are descriptions of other system improvements that are required as part of this Agreement. Master Meters are Water Joint Serving Facilities.

B. Master Meter Installation

The District shall engineer, specify, design, bid, construct, and install the Master Meters at Bellevue expense, subject to review and approval by Bellevue, which approval shall not be unreasonably withheld. Master Meters shall be designed, constructed, and operated in accordance with best industry practices and only to the extent and cost necessary to serve the purposes set forth in this Agreement. Construction of the Master Meters shall be completed no later than September 30, 2003.

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C. Master Meter Ownership, Operation and Maintenance

Master Meters shall be owned, operated, and maintained by the District.

D. Payment for Master Meters

Bellevue shall pay costs for specifications, bidding, engineering, designing, constructing, and inspecting the Master Meters. The District shall invoice Bellevue for such costs on a regular basis, but no more frequently than monthly. Bellevue shall make full payment within 45 days of receipt of the District's actual invoice.

E. Master Meter Dispute Resolution

In the event a Master Meter fails to register any water service or does not register water service within the manufacturer's normal tolerances, the parties shall agree upon the length of meter malfunction. An appropriate adjustment shall then be made on the next monthly invoice based upon the estimated quantity of service delivered during such period of meter malfunction using the historical consumption for the malfunctioning meter during the preceding twelve (12) month period as the basis for estimating the quantity of service delivered.

XIV. WATER SUPPLY RESPONSIBILITY AND REPORTING

A. Water Supply

Each Party is responsible for acquiring and paying for the cost of water supplies to meet the needs of their own customers. At the time of the execution of this agreement both Parties purchase water supplies from the City of Seattle under separate contracts. Each Party reserves the right to change such wholesale water purchase arrangements.

B. Regional Water Delivery

1. Regional water providers will deliver water supplies to the District and Bellevue from a regional transmission system at points regulated by Inlet Meters.

2. The volume of water delivered through Inlet Meters shall be measured by the City of Seattle or its assignee.

3. The District and Bellevue shall be individually responsible for the purchase of all water delivered through an Inlet Meter used exclusively to serve the customers of only the District or Bellevue.

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4. The responsibility for the purchase of water jointly delivered to both the District and Bellevue through an Inlet Meter shall be determined by the methodology provided for in Section XIV E.

C. Master Meter Reading

1. The District shall be responsible for reading the Master Meters on the same frequency and as close as possible to the time that the City of Seattle reads Inlet Meters.

2. For the Reporting Period, Bellevue shall be assigned the volume of water delivered by Master Meters through the following procedure: The District shall record the differences in the meter readings for each Master Meter during the Reporting Period, adding the volume from those Master Meters where there is a net flow from the District to Bellevue, and subtracting the volume from those Master Meters where there is a net flow from Bellevue to the District. This sum shall then be multiplied by 1.024 to account for supply-side losses.

D. Direct Read Meter Areas

1. The District and Bellevue shall be responsible for reading Direct Read Meters within their own service areas.

2. Each calendar year the water use from all Direct Read Meters within the District and Bellevue shall be totaled for the previous year. The net volume of water to be assigned to Bellevue from the Direct Read Meter Areas shall be the difference between the total water volume from the Direct Read Meters within Bellevue and the total water volume from the Direct Read Meters within the District the result of which shall be multiplied by 1.024 to account for supply-side losses. An additional 480 hundred cubic feet (ccf) yearly allowance shall be added to this net volume to reflect the net yearly unaccounted-for-water use by Bellevue. Through a procedure agreed to by both Parties, this total shall be adjusted by estimated volumes resulting from line failures or fire fighting.

3. The total water volume from the Direct Read Meter Area serving Bellevue shall be used in the following year for calculating water purchases from regional water providers. The total water volume for the calendar year calculated in the previous section will be prorated for each Reporting Period based upon historical yearly use patterns agreed to by the District and Bellevue.

4. Bellevue shall not allow any hydrant meter sales from hydrants located within the Direct Read Meter Areas.

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E. Total Water Use

1. The total water volume assigned to Bellevue from Inlet Meters jointly serving the District and Bellevue shall be determined for each Reporting Period by adding the total net volume assigned to Bellevue from the Master Meters and the prorated volume assigned to Bellevue from the Direct Read Meter Area.

2. The total water volume to be assigned to the District from Inlet Meters jointly serving the District and Bellevue shall be the difference between the total amount of volume from Inlet Meters for the Reporting Period minus that water volume assigned to Bellevue for the same Reporting Period.

3. The District shall be responsible for reporting the water volumes assigned to Bellevue and to the District for the Reporting Period to regional water providers in a timely manner. At the same time the District will provide this information to Bellevue. Each Party is responsible for its own payment to its regional water provider for its assigned water volume.

4. In the future should an adjustment to volumes from Inlet Meters jointly serving the District and Bellevue be made by Seattle or the responsible regional water provider, the adjusted volume and responsibility for any payments or credits shall be assigned to the District.

XV. "OLD WATER" ALLOWANCE IN 1982 SEATTLE WATER PURVEYOR CONTRACT

The rights of both Parties under the 1982 Seattle Water Purveyor Contract include provisions for an "Old Water Allowance" that is used in determining the charges for purchased water. To the extent that there is any current or future benefit from "old water", one half (50.0%) of the District's "Old Water Allowance" shall be allocated to Bellevue as delineated in Table 2.

TABLE 2
"OLD WATER" ALLOCATION

Month	District Old Water Allowance (ccf)	Amount to be Allocated To Bellevue (ccf)
January	42,155	21,078
February	44,162	22,088
March	51,429	25,714
April	40,248	20,124
May	42,054	21,027

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XVII. TELEMETRY

Bellevue shall provide its own telemetry at its own cost for the water and sewer facilities within the Assumption Area. After January 1, 2003 the District shall allow Bellevue reasonable access to the District's sewer and water facilities in order to permit Bellevue to design and construct new Bellevue telemetry facilities. After Bellevue's new telemetry is in operation, which shall occur before the Assumption Date, the District may remove, at its own cost, its old telemetry currently located within the Assumption Area. The District shall notify Bellevue no later than June 1, 2004, as to which telemetry components it intends to remove and which will remain. The District shall remove those telemetry components it elects to retain no later than August 1, 2004. Bellevue shall thereafter own all other remaining telemetry components.

XVIII. EMPLOYEES

A. Before the Assumption Date, the District shall not exceed its current number of employees (as measured by their full time equivalents) or, if additional hires are required, Bellevue shall have no obligation to offer to employ such new employees as of the Assumption Date. The District may refill vacant positions to maintain its August 1, 2001 level of employment.

B. By June 30, 2003, the District shall determine what positions, if any, it shall no longer need as of the Assumption Date and shall provide Bellevue with a list of those positions, associated job duties, and incumbent names. Bellevue shall offer to employ the incumbent(s) if any. Employees hired by Bellevue shall have the option of retaining or cashing in all or part of their accrued sick leave in accordance with the District's policies. Any sick leave so cashed in shall be deducted from the employee's accrued sick leave at the time that employee is hired by Bellevue. After this deduction, the employee shall otherwise retain all sick leave standing to the employee's credit in the District's plan. Employees hired by Bellevue shall be entitled to vacation as provided in RCW 35.13A.090. Employees hired by Bellevue shall otherwise receive credit for their years of service with the District in determining vacation accrual, sick leave benefits, service awards and layoffs, provided that such benefits for those employees who shall be subject to contracts with Bellevue's labor unions shall be contingent upon union approval. Such employees hired by Bellevue shall also retain their retirement benefits as provided under the statewide Public Employees Retirement System (PERS). To the extent permitted by law and applicable Bellevue employee plan provisions, employees hired by Bellevue may transfer personal retirement accounts to Bellevue retirement plans. Bellevue shall incur no costs associated with the transfer of personal retirement accounts. Except as provided in this Agreement, any employees hired by Bellevue shall be treated as new employees under applicable Bellevue policies and procedures and/or union contracts.

TG

June	64,898	32,449
July	72,616	36,308
August	110,805	55,403
September	36,589	18,294
October	39,198	19,599
November	42,783	21,392
December	48,877	24,438
Total	635,814	317,907

Note: ccf – hundreds of cubic feet

XVI. SEWER SERVICE AREAS

A. Exhibit No. G identifies a number of areas within Bellevue and the District where sewer flows from one Party's service area to the other's service area. Each Party agrees to continue to accept current and future sewer flows from the other Party for each of the identified areas at no cost to the other Party based on sewage flows generated under existing land use zoning. If future land use zoning changes are proposed within Areas I, II, and III on Exhibit G, and such zoning changes would result in increased sewage flows, then the Party in whose service area the land use change is being proposed must obtain written verification from the other Party that either 1) there is enough sewerage capacity to handle the increased sewer flow resulting from the proposed changed land use zoning, or 2) there will be improvements constructed as necessary to handle the increased flows. The Party where the increased sewer flows are generated shall be responsible for all reasonable costs associated with any improvements within the other Party's service area needed to accommodate the higher flows.

B. The Parties agree that upon the Assumption Date, the District shall continue to have sole ownership and all operation and maintenance responsibilities, including all associated costs, for the Coal Creek Parkway Interceptor within Bellevue's limits as shown on Exhibit B. The District shall accept sewer flows from Bellevue to this line at no charge.

C. Each Party shall be fully responsible for all operation, maintenance, repair, and replacement of their own sewer facilities. The actual ownership of sewer facilities is shown on attached Exhibit J.

D. Each Party is responsible for its own contract with King County Metro for sewage transmission, treatment and disposal, including reporting and payments for their customers.

TP

XIX. COSTS TO IMPLEMENT ASSUMPTION

Except as otherwise provided in this Agreement, each Party agrees to bear solely its respective costs of consultant, legal, and staff services incurred in connection with this Agreement.

XX. CUSTOMER BILLING

The District shall read all meters in the Assumption Area and prepare a final billing before the Assumption Date. The District shall be solely responsible for the collection of these receivables.

After the Assumption Date, Bellevue shall be responsible for billing customers located within the Assumption Area and the District shall be responsible for billing customers within the District's modified boundaries.

The District shall provide copies of customer records for customers in the Assumption Area, including water meter readings for 2001, 2002 and through September 1, 2003, to Bellevue by September 30, 2003. The balance of the billing records for the time period September 2, 2003, through the Assumption Date shall be provided to Bellevue not later than February 1, 2004. Bellevue shall promptly pay all reasonable costs for copying such customer records.

XXI. RECORDS

The District shall retain the original records for all business matters relating to the Assumption Area but shall make those records available to Bellevue for review and copying, as needed. Bellevue shall promptly pay all reasonable costs for copying any records it requests.

XXII. INDEMNITY AND INSURANCE

A. Additional Insured

If permitted by the terms of its insurance policies, the District agrees to name Bellevue as an additional insured during the Interim Period for all matters relating to the Assumption Area. If there are any additional premiums payable as a result of naming Bellevue as an additional insured, Bellevue shall pay any such additional premiums to the District within 45 days of the receipt of an invoice for such premiums.

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B. Third Party Insurance

The District shall require any contractors or subcontractors performing work in the Assumption Area during the Interim Period to name Bellevue as an additional insured for all matters relating to the Assumption Area.

C. Non-Waiver of Other Rights or Remedies

Except as expressly provided by any indemnity provision in this Agreement, nothing in this Agreement is intended to release, waive, or otherwise modify or limit any party's right to assert any claim in law or equity against the other party arising from any act, error, or omission of that party or its officials, officers, employees, agents, representatives, contractors, or subcontractors, when acting within such designated capacity.

XXIII. DISPUTE RESOLUTION

Disputes between the Parties arising out of this Agreement or its on-going implementation shall be identified in writing and submitted to the District Manager and Bellevue's Director of Utilities who shall undertake a joint resolution process. Authorized, written agreement between the District Manager and Bellevue's Director of Utilities may be submitted to the District's Board of Commissioners and Bellevue Council for consideration. Matters that are not resolved by the Manager and Director may be submitted to mediation with the agreement of both Parties.

XXIV. NOTICE AND COMMUNICATIONS

Notice to the Parties shall be submitted to the following:

Director of Utilities
City of Bellevue
311 – 116th Avenue SE
P.O. Box 90012
Bellevue, WA 98009-9012

District Manager
Coal Creek Utility District
6801 – 132nd Place SE
Newcastle, WA 98059

XXV. REVIEW BY OTHER AGENCIES

This Agreement shall not be effective until reviewed and approved by the City of Seattle, King County (Metro), and the Washington State Department of Health. Once approved by these agencies the effective date of this Agreement shall be considered the date of execution by the last Party to sign. Should any agency decline to approve the Agreement because it does not have the authority or responsibility to approve such agreements (as opposed to declining to approve this Agreement because it is deficient or unacceptable), such agency's action in declining to review or approve the Agreement shall be considered approval for the purposes of this paragraph. The failure of any

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agency to comment on this Agreement within 90 days of its submittal to that agency shall constitute approval under this paragraph. If the Parties later receive adverse comments from an agency, the parties shall work cooperatively to try to address and meet the concerns of that agency.

XXVI. EXECUTION OF DOCUMENTS

The Parties agree to execute promptly all documents necessary to implement the terms of this Agreement or to effect its purposes.

CITY OF BELLEVUE

By_____
City Manager

Date signed: May 23, 2002.

Approved as to form:

By_____
City's Attorney

COAL CREEK UTILITY DISTRICT

By_____
District Manager

Date signed: ~~May~~ June 3, 2002.

Approved as to form:

By_____
District's Attorney

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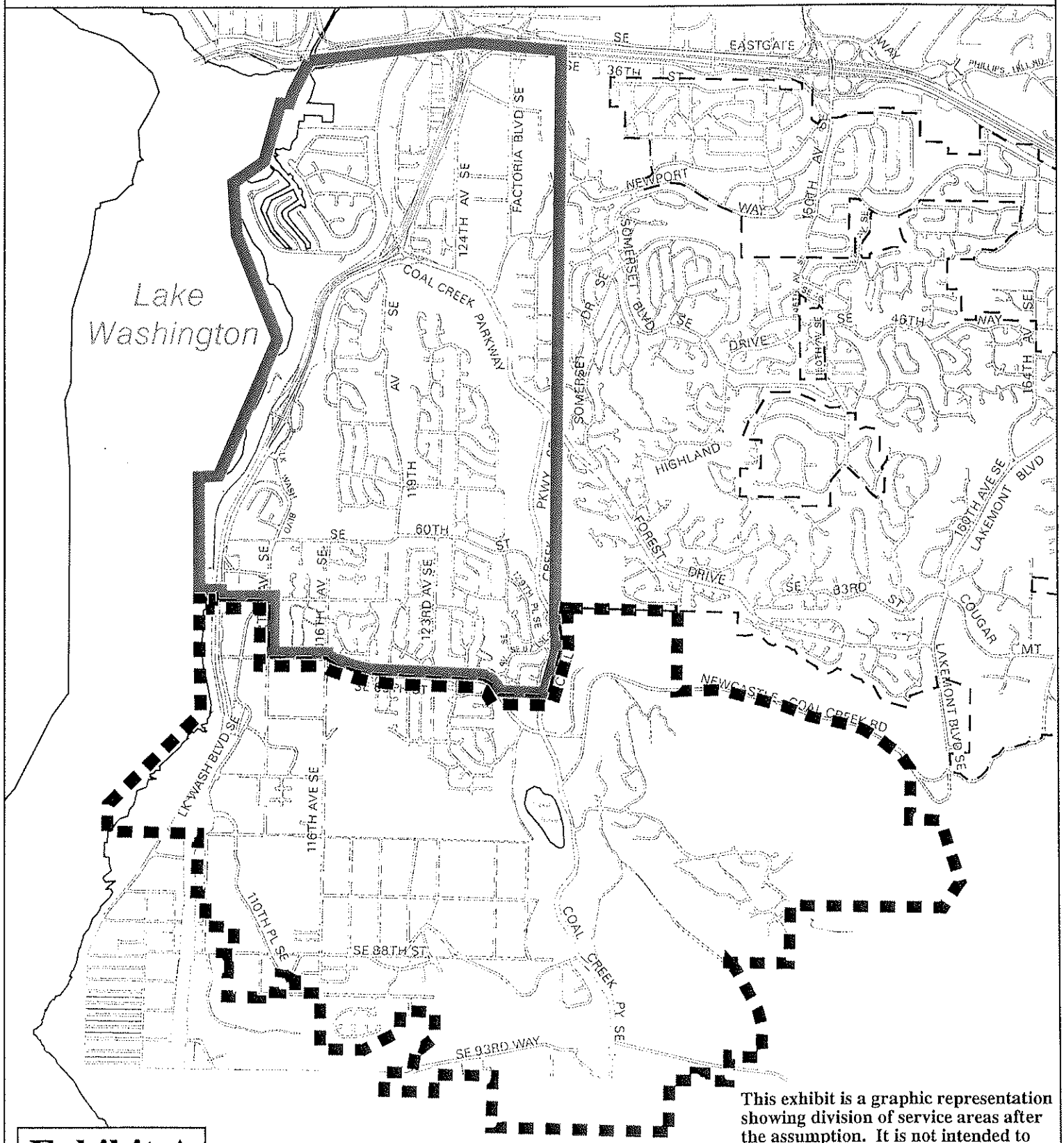
Service Area Boundaries after Assumption



This exhibit is a graphic representation showing division of service areas after the assumption. It is not intended to represent the legal service areas of Bellevue or CCUD.

Exhibit A

Scale: 1 inch = 3000 feet
Utilities Department
Engineering Division
Systems Planning and Mapping
May 01, 2002
v:\utpl\ailccud_a.aml

Legend

- Coal Creek Utility District Service Areas
- Bellevue Service Areas
- Bellevue City Limit

This map is a graphic representation derived from the City of Bellevue Geographic Information System. It was designed and intended for City of Bellevue staff use only; it is not guaranteed to survey accuracy. This map is based on the best information available on the date shown on this map. Any reproduction or sale of this map, or portions thereof, is prohibited without express written authorization by the City of Bellevue.

NOTE: If you have specific questions concerning information contained on this map, please contact the sponsoring department as shown on this map.

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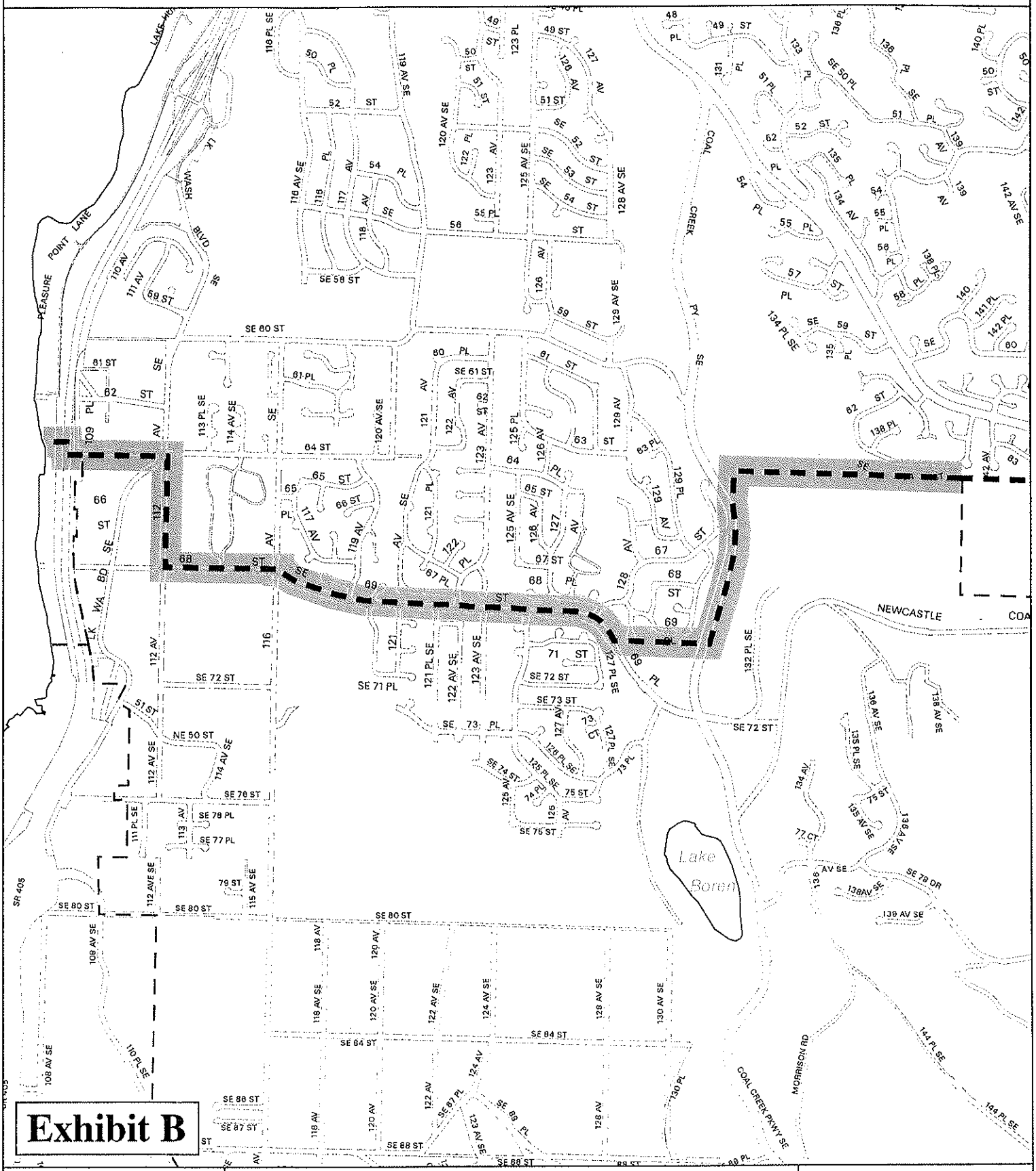
City of Bellevue - Coal Creek Utility District

Common Service Boundary Line



Scale: 1 inch = 1500 feet
Utilities Department
Engineering Division
Systems Planning and Mapping
May 01, 2002
v:\utplt\ailecud-cob_a.aml

Legend

- Common Service Boundary Line
- Bellevue city limits
- Other city limits

This map is a graphic representation derived from the City of Bellevue Geographic Information System. It was designed and intended for City of Bellevue staff use only; it is not guaranteed to survey accuracy. This map is based on the best information available on the date shown on this map. Any reproduction or sale of this map, or portions thereof, is prohibited without express written authorization by the City of Bellevue.

NOTE: If you have specific questions concerning information contained on this map, please contact the sponsoring department as shown on this map.

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EXHIBIT B

City of Bellevue-Coal Creek Utility District Common Service Boundary Line
Boundary Line Description

A line lying within Sections 20, 27, 28 and 29, Township 24 North, Range 5 East, W.M., in King County, Washington, described as follows:

Beginning at the Northeast corner of the Northwest quarter of said Section 27; thence Westerly along the North line thereof to the Northwest corner of said Northwest quarter; thence Southerly along the West line thereof to the Easterly margin of Coal Creek Parkway S.E.; thence Southerly along said Easterly margin to the South line of the North half of the Southeast quarter of the Northeast quarter of said Section 28; thence Westerly along said South line to the Northerly margin of S.E. 69th Street; thence Northwesterly and Westerly along said Northerly margin to the South line of the Northwest quarter of the Northwest quarter of said Section 28; thence Westerly along said South line to the East margin of 116th Avenue S.E.; thence Northerly along said East margin to the Easterly extension of the North margin of S.E. 68th Street; thence Westerly along said Easterly extension and North margin to the East margin of 112th Avenue S.E.; thence Northerly along said East margin to the South line of the North 30.00 feet of the Northeast quarter of said Section 29; thence Westerly along said South line to the Centerline of Right of Way, as shown on the S.R. 405(Primary State Highway No. 1), Kennydale North, sheet 3A of 4, dated July 17, 1951; thence Northerly along said centerline to the Easterly extension of the North line of Lot 35, Block A, C.D. Hillman's Lake Washington Garden of Eden Addition to Seattle Division No. 3, as recorded in Volume 11 of Plats, Page 81; thence Westerly along said Easterly extension to the Northeast corner of said Lot 35; thence continuing Westerly along the North line thereof and the Westerly extension of said North line to the Inner Harbor Line of the East shoreline of Lake Washington, as shown on sheet 30 of the State of Washington Commissioner of Public Lands, Maps of Lake Washington Shore Lands, filed in the office of the Commissioner of Pubic Lands, September 19, 1921 and the **Terminus of said Line**.

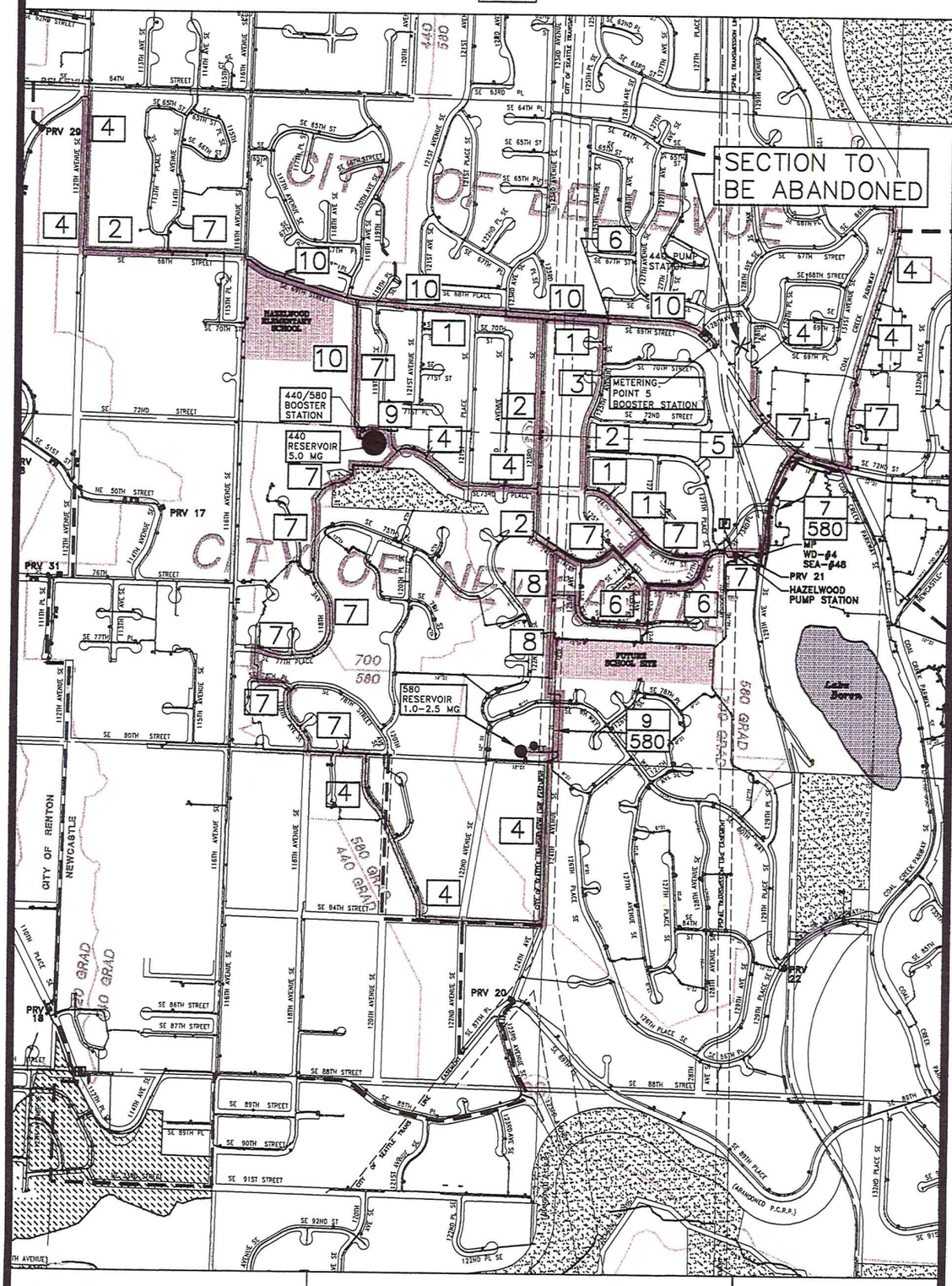
01182.DOC
MN/11-28-2001

TP

LEGEND

1	PIPELINE W/ REFERENCE NO. REQUIRED TO BE *JOINT SERVING *FACILITIES
440 RESERVOIR 5.0 MG	FACILITIES REQUIRED TO BE *JOINT SERVING *FACILITIES
7 580	REFERENCE NO. W/ ZONE

SCALE=1"=1200'



Penhallegon Associates Consulting Engineers, Inc.

COAL CREEK UTILITY DISTRICT
& CITY OF BELLEVUE

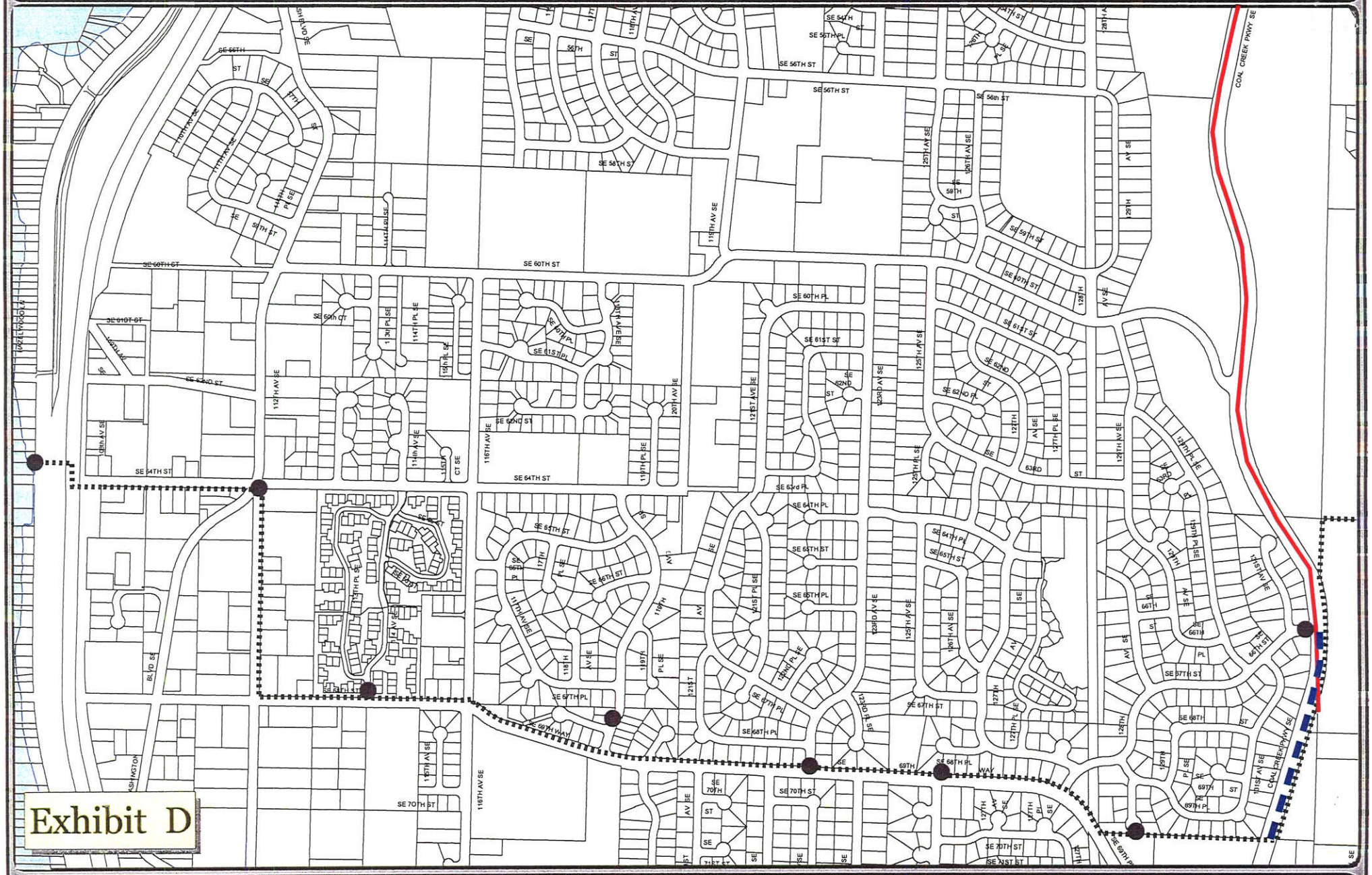
WATER JOINT SERVING FACILITIES

EXHIBIT

C

TP

Physical Assets Located in Bellevue



Utilities Department
Engineering Division
Systems Planning and Mapping
May 1, 2002

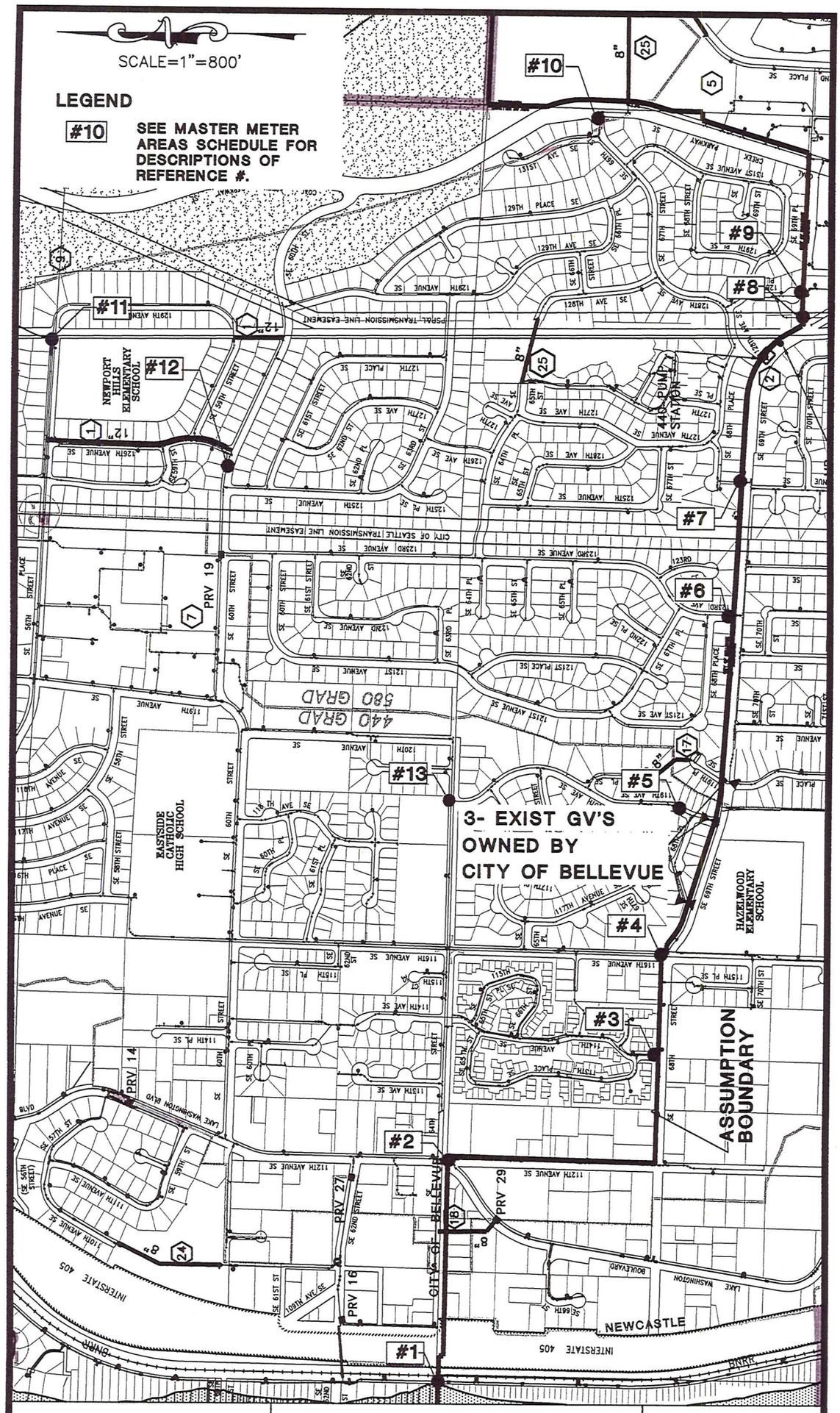
Coal Creek Utility District (CCUD) Owned Coal Creek Parkway Sewer Interceptor

CCUD Owned Coal Creek Parkway Water Mains

CCUD Master Meters that may be Located in Bellevue

Bellevue City Limits

Scale: NTS



Penhallegon Associates Consulting Engineers, Inc.

COAL CREEK UTILITY DISTRICT
& CITY OF BELLEVUE
WATER MASTER METER DESCRIPTION

EXHIBIT
E

TP

WATER MASTER METER AREAS
SCHEDULE

The following provides an itemized description of the reference numbers shown on Exhibit E - Master Meter Areas

Reference #	Description of Item
#1	A two-directional Master Meter 6± inch in size located at or near the City of Bellevue Corporate limits on Hazelwood Lane within the District's 170 Zone water system.
#2	A two-directional meter or a one (Bellevue-to-District) directional emergency flow connect near the intersection of 112th Ave SE and SE 64th St.
#3	A two-directional meter approximately 8-inch in size located on 114th Avenue SE near SE 68th St.
#4	A closed valve to be owned and maintained by Bellevue and only opened under emergency situations. An existing valve on 116th Ave SE near SE 68th/69th intersection shall be used for this purpose.
#5	A two-directional meter approximately 8 inch in size on 119th Ave SE just north of SE 68th Place.
#6	A two-directional meter approximately 8 inch in size on 123rd Ave SE just north of SE 69th Street.
#7	A two-directional meter approximately 8 inch in size to be located on SE 72nd St at 125th Ave SE.
#8	Close and abandon a 10-inch cast iron/12-inch A.C. main on SE 69th St. and extending north to 128th Pl. SE. Relocate existing services and fire hydrant as required.
#9	A two-directional meter approximately 8 inch in size at the Bellevue/Newcastle Corporate limits and the extension of 128th Pl SE.
#10	Two 1-inch, one-directional service meters (one recording flow in each direction). This two-way connection is for the purpose of eliminating a dead end main. A main line 8-inch valve will be cut in at this location to isolate the Bellevue/District system. At such time as the District's main on Coal Creek Parkway is extended and looped to other District facilities, this meter cluster may be abandoned.

#11	An emergency Inlet Meter located at approximately SE 56th St and the East Side Supply Line (ESSL approximately 128th Ave SE). This connection will be designed as a pressure sustaining valve and will only open or pass water from the ESSL under emergency or fire flow conditions. This Inlet Meter shall be telemetered and the following shall be provided to the District so the District can monitor the use of this Inlet: • Notice/alarm any time the inlet is used • Pressure/head at this location • Flow monitoring of the meter at this location
#12	Upsize an existing 6-inch main to 12-inch main approximately 200± feet in length on SE 60th St between 125th Ave SE and 126th Ave SE. Note this replacement to be accomplished by Bellevue and Bellevue agrees to have the improvement completed by 7/01/2004.
#13	Three (3) valves on SE 69th St to be left normally open, shall be owned and maintained by Bellevue. The water main extending north of these valves is also owned and maintained by Bellevue.

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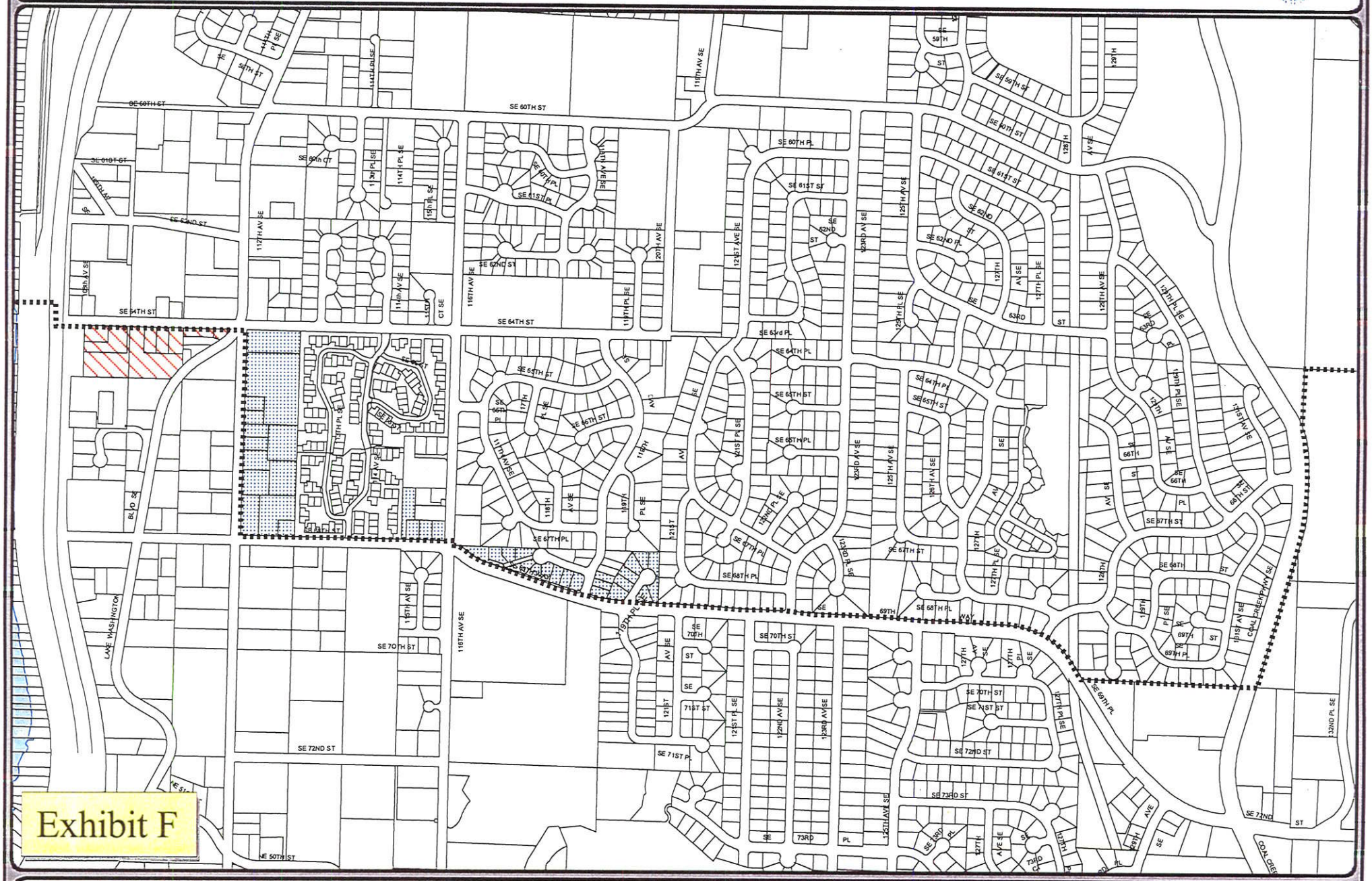
Direct Read Meter Areas

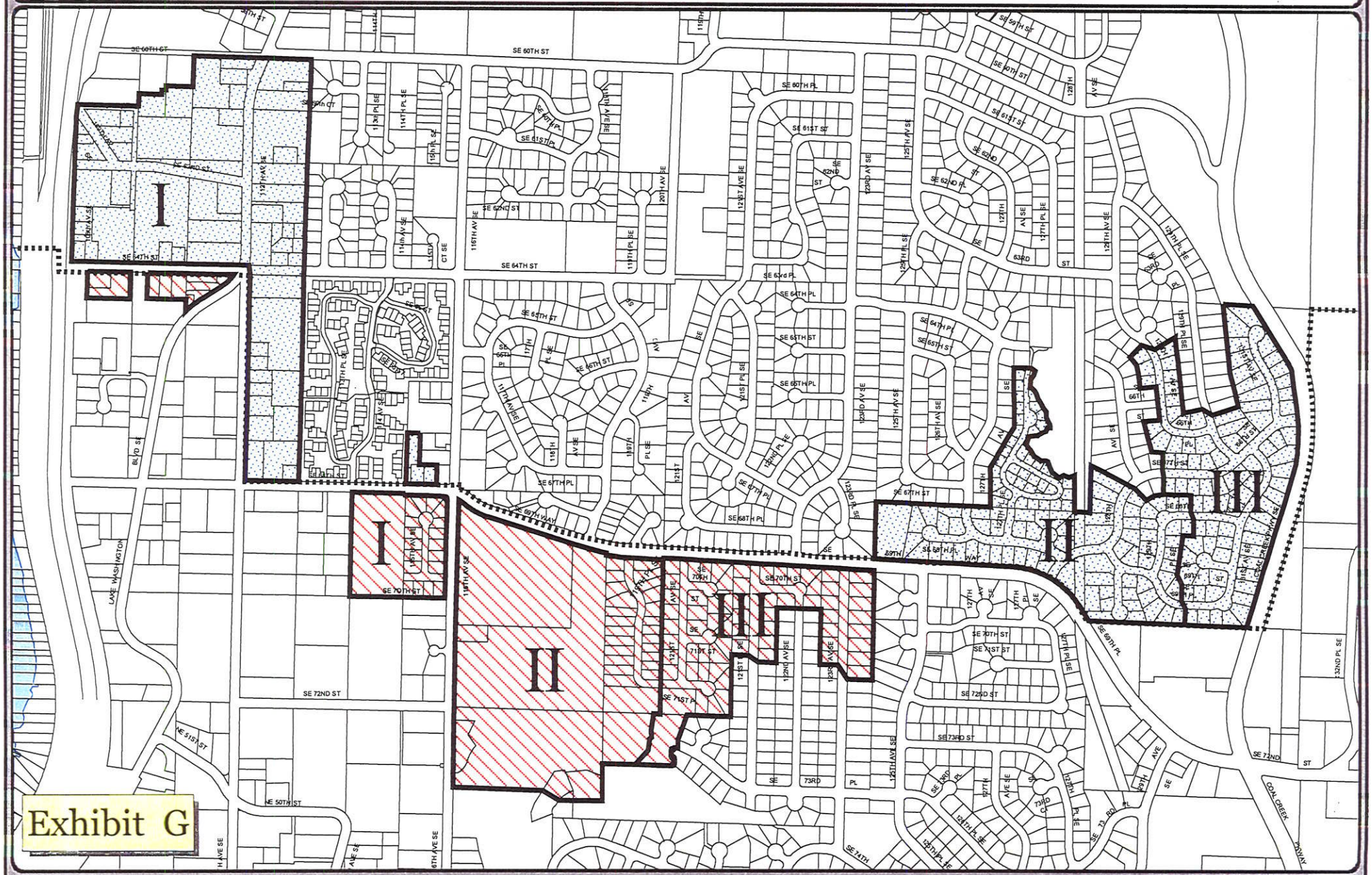


Utilities Department
Engineering Division
Systems Planning and Mapping
May 1, 2002

Bellevue Water Customers
Coal Creek Utility District Water Customers
Bellevue City Limits

Scale: 1 inch = 800 feet

Sewer Service Areas



Utilities Department
Engineering Division
Systems Planning and Mapping
May 1, 2002

Bellevue Sewer Service Areas Served by Coal Creek Utility District (CCUD) Facilities

CCUD Sewer Service Areas Served by Bellevue Facilities

Bellevue City Limits

Scale: 1 inch = 800 feet

EXHIBIT H

H.1. Methodology to Determine the Operation and Maintenance (O&M) Component of the Wheeling Charge for Joint Serving Facilities

Information Required:

1. Financial Statement Worksheet
2. Facilities Inventory
3. Appendix B of the Water and Sewer Rate Study dated 6 June 2001

Assumptions:

1. Until the Financial Statement Worksheet for 2004 is available (approximately May 2004), the O&M component will be determined by using the financial and facilities data for the District prior to assumption by Bellevue. After the Financial Statement Worksheet for 2004 is available, the O&M component will be determined by using the financial and facilities data for the District after the assumption. The example provided in Exhibit D.2 is based on financial and facilities data for 2000 (i.e., prior to assumption by Bellevue).
2. Number and size of master meters.
3. The quantity of water pumped by the District for use by Bellevue is 42 percent of the total water pumped by the District

Step 1. Allocate O&M Costs to Utility Activities

Prior to the availability of the Financial Statement Worksheet for 2004, the allocation of O&M costs shown in the general ledger accounts (Financial Statement Worksheet) to the water and sewer utilities is based on Appendix B of the Water and Sewer Rate Study dated 6 June 2001. After the availability of the Financial Statement Worksheet for 2004, the allocation factors must be adjusted to reflect the assumption by Bellevue. O&M costs for the stormwater utility are entirely included in general ledger accounts 510-000 and 515-000.

Step 2. Allocate Water Utility O&M and Customer-Related G&A Costs into Functional Categories

The functional categories and the general ledger accounts applicable to each category are shown in Table H.1-1. The O&M cost of telemetry is allocated based on a 50 percent allocation each to the water and sewer utility and the number of telemetered points in each functional category of the water utility. Please note that the functional category for hydrants and the general ledger account for water purchases will not be applicable for allocation to Bellevue after the assumption and the other functional categories must be adjusted to reflect the facilities assumed by Bellevue.

Step 3. Allocate the O&M and Customer-Related G&A Costs of the Functional Categories of the Water Utility to Bellevue

Based on the allocation criteria shown in Table H.1-2, the O&M and customer-related G&A costs of each functional category will be allocated to Bellevue. Please note that the allocation methodology differs prior to and after the Financial Statement Worksheet for 2004.

Step 4. Review and Compute G&A Multiplier

The G&A accounts, excluding customer-related G&A expenses will be reviewed for applicability and total G&A expenses adjusted. Inapplicable expenses include excise taxes, which will be discussed in Step 6, and surface water taxes. It should be noted that the Financial Statement Worksheets prior to fiscal year 2001 included both capital and O&M related expenses. Beginning in 2001 these costs will be separated and only O&M costs will be used for allocation purposes. In addition, if legal or engineering expenses are anomalous, they will be normalized. The customer-related G&A expenses are included as a functional category in Step 3. The G&A multiplier is based on the ratio of the total adjusted G&A expenses (excluding customer-related G&A expenses) to the total O&M expenses (plus customer-related G&A expenses), including the water, sewer, and stormwater utilities. Prior to the Financial Statement Worksheet for 2004, the G&A and O&M expenses will include the costs of the District's service area and the service area to be assumed by Bellevue. After the Financial Statement Worksheet for 2004, the G&A and O&M expenses will include only the costs of the District's service area. The District's current general ledger accounts for G&A expenses are shown in Table H.1-3.

Step 5. Determine Bellevue's Monthly Installment Payment

The sum of the O&M and customer-related G&A costs computed in Step 3 is Bellevue's allocated direct costs (i.e., excluding G&A multiplier and excise taxes) of the wheeling charges for the joint serving facilities. Bellevue's monthly installment payment for allocated direct costs is determined by dividing the total annual charge by twelve (12).

Step 6. Apply the G&A Multiplier and Excise Tax and Determine the Total Monthly Installment Payment

Based on the result of Step 5, the total allocated costs will be multiplied by one (1) plus the G&A multiplier determined in Step 4. There appears to be a deduction in computing excise taxes available to the District under RCW 82.16.050. If excise taxes were required, the applicable rate would be applied to the total. This total and any applicable excise tax will constitute the monthly Installment Payment by Bellevue to the District.

H.2. Example of Calculation for the Operation and Maintenance (O&M) Component of the Wheeling Charge for Joint Serving Facilities

Basis of Information:

1. 2000 Financial Statement Worksheet
2. 2000 Facilities Inventory
3. Appendix B of the Water and Sewer Rate Study dated 6 June 2001
4. District report titled "Service Type and Meter Size Totals for Active Customers as of 2 Jan 2001"
5. 2000 metered water consumption data by route for Newcastle and Bellevue

Key Assumptions:

1. Financial and facilities information for 2000 was used to complete the example calculation.
2. It is assumed that there will be 7 master meters (6 – 8 inch meters and 1 – 6 inch meter).
3. The quantity of water pumped by the District for use by Bellevue is 42 percent of the total water pumped by the District.
4. It is assumed that Seattle Public Utilities (SPU) will bill the District directly for meter charges associated with metering point 5.

Step 1. Allocate O&M Costs to Utility Activities

See Table H.2-1.

Step 2. Allocate Water Utility O&M and Customer-Related G&A Costs into Functional Categories

See Table H.2-2, Columns B and C.

Step 3. Allocate the O&M and Customer-Related G&A Costs of the Functional Categories of the Water Utility to Bellevue

As shown in Table H.2-2, the O&M and customer-related G&A costs of each functional category are allocated to Bellevue based on the "Prior to 2004 FSW" allocation criteria shown in Table H.1-2. Additional information (not included in Table H.1-2) pertaining to the allocation of costs is summarized below.

Water Charges

Seattle Meter Charges: Expenses include meter charges paid to SPU for each meter to the District. The District currently has 10 meters of which meters 6, 7, 8, 9, 10 and 11 will be assumed by Bellevue. Metering point 1 will remain with the District. Metering point 5 will be shared by the District and Bellevue. Metering point 2 has been disconnected and metering point 4 is an emergency connection.

Only Bellevue's proportionate share of metering point 5 expenses were allocated to Bellevue. The allocation is based on Bellevue's proportionate share, 40 percent, of the total water pumped by the District from metering point 5. The quantity of water pumped to Bellevue was determined by a review of metered consumption data by route for Newcastle and Bellevue for 2000. The annual meter charge for 2000 was provided by District staff. The cost allocation calculation is shown below.

$5,280 (annual meter charge) x 0.40 = $2,112.00

TP

Reservoirs

Water - Maintenance of Distribution Reservoirs: Allocation of expenses to Bellevue is based on Bellevue's proportion of reservoir capacity of joint serving facilities and reservoir capacity assumed by Bellevue to total reservoir capacity, including reservoir capacity assumed by Bellevue. Reservoir capacities were obtained from Table 1-8 of the Engineering Evaluation of the City of Bellevue's Proposed Partial Assumption of Coal Creek Utility District. Bellevue's proportionate share of serving facilities (440 and 580 reservoirs) were taken from Table 1 of the Draft Interlocal Agreement for a Partial Assumption dated 3 December 2001. The calculation of the cost allocation is shown below.

Total reservoir capacity = 16 million gallons (MG)

Reservoir and Capacity	**City's Proportionate Share of Capacity**	**City's Share of Capacity in MG**
Factoria Reservoir – 3.0 MG	100%	3.0 MG
440 Reservoir – 5.0 MG	33.06%	1.653 MG
580 Reservoir – 1.0 MG	39.93%	0.3993 MG
580 Reservoir – 2.5 MG	39.93%	0.99825
Total City Capacity		6.05055 MG

6.05055 ÷ 16 MG = 0.37816

$40,380.44 x 0.37816= $ 15,270.27

Pumping

Allocation of costs to Bellevue is based on Bellevue's proportionate share, 42 percent, of the total water pumped by the District. The quantity of water pumped to Bellevue was determined by a review of metered consumption data by route for Newcastle and Bellevue for 2000. The cost allocation calculation is shown below.

$69,249.03 (Total Water Pumping Costs, excluding Telemetry) x 0.42 = $29,084.59

Transmission and Distribution

Allocation of expenses to Bellevue is based on Bellevue's proportion of capacity allocation of joint serving facilities applied to diameter inch – linear feet of joint serving facilities to total diameter inch – linear feet of pipelines including District pipelines and pipelines to be assumed by Bellevue. The total linear feet of pipe-by-pipe size was provided by PACE. It should be noted that 2,838 linear feet of miscellaneous pipe was assumed to be 6 inch in diameter. The linear feet of pipe was then converted to diameter inch – linear feet. Bellevue's proportionate share of pipeline serving facilities was obtained from Table 1 of the Draft Interlocal Agreement for a Partial Assumption, dated 3 December 2001. Again the linear feet of pipe was converted to diameter inch – linear feet. The cost allocation calculation is shown below.

Total diameter inch – linear feet of pipelines = 4,813,770

TP

City's proportion of capacity allocation of joint serving facilities to diameter inch – linear feet of pipelines = 159,369

159,369 ÷ 4,813,770 = 0.03311

$111,620.55 (Total Transmission and Distribution Costs) x 0.03311 = $3,695.76

Meters and Service Lines

Allocation of expenses to Bellevue is based on diameter inch – meters of master meters to total diameter inch – meters, including District meters and meters to be assumed by Bellevue. The total number of meters by size for 2000 was obtained from Table 2-4 of the Water and Sewer Rate Study, dated 6 June 2001. The total number of meters was then converted to diameter inch - meters. It is assumed that there will be 7 master meters (6 – 8 inch meters and 1 – 6 inch meter). The master meters were then converted to diameter inch –meter. The cost allocation calculation is shown below.

Total meters in diameter inch –meters = 5,401

Total master meters in diameter inch – meters = 54

54 ÷ 5,401 = 0.01

$124,138.31 (Total Meters and Service Line Costs) x 0.01 = $1,241.38

General O&M

Allocation of expenses to Bellevue is based on Bellevue's proportion of direct O&M costs to total O&M costs for the District and Bellevue service areas. The calculation of the cost allocation is shown below.

(Total General O&M ÷ (Total Water Charges + Total Reservoirs + Total Pumping + Total Trans. & Dist. + Total Meters and Service Lines + Total Hydrants)) x (Total Water Charges + Total Reservoirs + Total Pumping + Total Trans. & Dist. + Total Meters and Service Lines + Total Hydrants) = City Allocation of Total General O&M

($182,660.39 ÷ $1,638,104.15) x $54,415.06 = $6,067.67

Customer-Related G&A

For General Ledger (GL) accounts 660-000 Operation Supervision and 903-000 Payroll-Office Salaries, customer-related G&A expenses were calculated based on an analysis of activities performed by the District's customer support people on a person-by-person basis. Customer –related expenses for GL accounts 408-200 Payroll Taxes, 926-000 Employee Pension & Insurance and 926-100 Employee Benefits-Vacation, Sick and Holiday is proportional to GL accounts 660-000 and 903-000. Customer-related expenses for GL account 921-000 Office Supplies and Other Expenses is based are review of annual expenditures and considers the number of customers to be assumed by Bellevue. Total customer-related costs of $171,472.57 were then adjusted from the District's Administrative and General Expenses (which originally totaled $1,633,642.49) included in Table H.2-3.

Allocation of customer-related G&A expenses to Bellevue is based on the number of master meter accounts to the total number of water and sewer accounts, including District accounts and accounts to be assumed by Bellevue. The total number of accounts for 2000 was obtained from

District report titled "Service Type and Meter Size Totals for Active Customers as of 2 Jan 2001". It is assumed that there will be 7 master meter accounts. The cost allocation calculation is shown below.

Total number of water accounts = 6,450

Total number of sewer accounts = 4,474

Total number of master meter accounts = 7

7 ÷ 10,931 = 0.00064

$171,472.56 (Total Customer Related G&A Costs) x 0.00064 = $109.74

Telemetry

The allocation of telemetry O&M costs to each functional category was described in Step 2. Allocation of expenses to Bellevue is based on Bellevue's proportionate share of telemetered facilities to be shared and assumed. Bellevue's proportionate share of joint serving facilities was obtained from Table 1 of the Draft Interlocal Agreement for a Partial Assumption, dated 3 December 2001. It is assumed that Bellevue will assume 100 percent of the Factoria reservoir and pump station. Bellevue's proportionate share of metering station 5 is based on Bellevue's share of the total water pumped by the District from metering station 5. The following summarizes Bellevue's proportionate share of the telemetered points in each functional category and calculates the cost allocation.

Reservoirs	**Fraction of Telemetered Facilities**	**City's Proportionate Share of Capacity**	**City's Share**
Factoria	_	100%	0.5
440 Reservoir	1/3	33.06%	0.1102
580 Reservoirs	1	39.93%	0.3993
700 Reservoir	_	0%	0.0
Total			1.0095

1.0095 ÷ 8 (total number of water telemetry points) = 0.12619

$4,897.50 (Total Reservoir Telemetry Costs) x 0.12619 = $618.02

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Pump Stations	Fraction of Telemetered Facilities	City's Proportionate Share of Capacity	City's Share
Factoria	_	100%	0.5
440 BS	1/3	33.06%	0.1102
440/580 BS	1/3	33.06%	0.1102
Hazelwood	1	0%	0.0
Rainier Crest	_	0%	0.0
Total			0.7204

0.7204 ÷ 8 (total number of water telemetry points) = 0.09005

$5,597.14 (Total Pumping Telemetry Costs) x 0.09005 = $504.02

Metering Stations	Fraction of Telemetered Facilities	City's Proportionate Share of Capacity	City's Share
5	1	40%	0.4
8	1	100%	1.0
11	1	100%	1.0
Total			2.4

2.4 ÷ 8 (total number of water telemetry points) = 0.3

$6,296.78 (Total Metering Station Telemetry Costs) x 0.3 = $1,889.03

Step 4. Review and Compute G&A Multiplier

The G&A multiplier is based on the ratio of the total adjusted G&A expenses, excluding customer-related G&A expenses (see Table H.2-3) to the total O&M expenses, plus customer-related G&A expenses (See Tables H.2-1 column G and Table H.2-2 column C) including water, sewer and stormwater utilities. The calculation for the G&A multiplier is shown below.

$1,462,169.93 ÷ ($3,398,503.55 + $171,472.56) = 0.40957

Step 5. Determine Bellevue's Monthly Installment Payment

The sum of the O&M and customer-related G&A costs computed in Step 3 is Bellevue's allocated direct costs (i.e., excluding G&A multiplier and excise taxes) of the wheeling charges for the joint serving facilities. Bellevue's monthly installment payment for allocated direct costs is determined by dividing the total annual charge by twelve (12). Bellevue's monthly installment payment is calculated below.

$60,592.49 ÷ 12 = $5,049.37

Step 6. Apply the G&A Multiplier and Excise Tax and Determine the Total Monthly Installment Payment

Based on the result of Step 5, the allocated direct costs are multiplied by one (1) plus the G&A multiplier determined in Step 4.

$5,049.37 x 1.40957 = $7,117.44

There appears to be a deduction in computing excise taxes available to the District under RCW 82.16.050. If excise taxes were required, the applicable rate would be applied to the total. The current water excise tax rate is 0.05020. The total and applicable excise tax will constitute the monthly Installment Payment by Bellevue to the District.

Summary of Example Results

Based on the example presented in Exhibit H.2., the G&A multiplier is 40.957 percent of Bellevue's allocation of the District's operating expenses (column D of Table H.2-2). The sum of G&A costs and Bellevue's allocation of the District's operating expenses would be divided into twelve equal monthly payments.

To: Lloyd Warren, Brad Miyake, and Siona Windsor - City of Bellevue
Tom Peadon - CCUD
Blair Burroughs, Attorney at Law
Marty Penhallegon - PACE Engineers
Lynn M. Takaichi, P.E. - Kennedy/Jenks Consultants

From: David W. Findlay, Principal - Financial Consulting Solutions Group, Inc.

Subject: Agreed Upon Capital Cost Reimbursement Methodology - Water Joint Serving Facilities

Purpose:

This memorandum describes and illustrates the final agreed upon method of calculating the Water Joint Serving Facilities Capital Cost Reimbursement as defined under Section XI of the Interlocal Agreement. This methodology was presented in draft to the negotiating committee members as Technical Memorandum(s) dated November 19th. and 26th., and discussed during several negotiating sessions. Here-in-after, we refer to the final method as the "Capital Cost Reimbursement" method.

Discussion:

The Coal Creek Utility District (District) will use the Capital Cost Reimbursement (CCR) method described in this memorandum to charge the City of Bellevue (COB) for use of District owned Water Joint Serving Facilities (WJSF) to obtain water supply that the COB purchases from a regional water supplier such as the Cascade Water Alliance or the Seattle Public Utilities. The CCR will consist of two capital elements:

- Return "Of" Element – the annual return **of** investment in Rate Base, defined here-in-after as "depreciation expense" only for the City of Bellevue's capacity share of the WJSF replaced, upgraded or otherwise improved by the District after the assumption; and
- Return "On" Element – the annual return **on** investment in Utility Plant Rate Base, defined here-in-after as the rate of return (ROR).

The CCR as provided for in the IA will be an entirely separate cost reimbursement mechanism from the WJSF wheeling charge (the charge to recover District O&M and G&A costs). Therefore the annual depreciation expense included the CCR is not a cost to be included in the agreed upon method of calculating the wheeling charge.

The term WJSF Utility Plant Rate Base is defined in the IA as the original cost or fully capitalized costs of the replacement or improvement for a WJSF less accumulated depreciation less total contributions-in-aid of construction (CIAC). There is agreement in the IA that the District will be fully compensated for all existing WJSF at the time of the assumption (12-31-03). This will be accomplished by COB payment of its prorata share of all outstanding revenue bonds, and 28.3% of Public Works Trust Fund loans as of the date

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of the assumption Settlement Agreement (SA). The remainder of the City's interest in the District's existing book value in the joint serving facilities will have been or be recovered by the District from all ratepayers, GFC's, LFC's and perhaps donated facilities. Thus this option assumes that both parties agree that the beginning Utility Plant Rate Base value is zero. In other words, the COB share in the initial and current value of the WJSF as of the execution date of the Interlocal Agreement is considered as totally contributed to the District and therefore will be classified as CIAC. If the District finances the replacement, improvement or upgrade of any of the WJSF between the date of the Interlocal Agreement and December 31, 2003, then the full capital costs of the project(s) will be added to the WJSF Utility Plant Rate Base.

Therefore, the value of the WJSF Utility Plant Rate Base used to calculate the CCR will be dependent on the District fully financing, constructing, and owning the replacement, improvement or upgrades to the facilities listed in Table 1.

To illustrate, assume that the District invests a total of $1,300,000 in the replacement of WJSF 6-inch and 8-inch AC mains. Then the additions to the WJSF Utility Plant Rate Base for calculating the annual CCR would begin at $1,300,000. For this illustration, assume that for the two new projects, the City of Bellevue's share would be 39.93%, or $519,090. The actual COB share of each project shall be determined from Table 1, and will differ. For example, there is a 12" Asbestos Cement pipe joint serving facility with the Bellevue share set at 50%. The WJSF Utility Plant Rate Base starting at $1,300,000 would then be reduced each year thereafter by the accumulated increments of annual depreciation expense applied to COB's cumulative share of WJSF that make up the total Utility Plant Rate Base.

The CCR method does not contemplate the COB paying up front a share of any capital expenditure for joint serving facilities during the 25 to 30 year timeframe of the agreement. However there is the mutually agreed upon exception as provided for in the Interlocal Agreement that the City will pay its cost share up front for major maintenance, emergency maintenance and emergency repair activities. Since COB has agreed to pay such costs, then those costs will not be added into the WJSF Utility Plant Rate Base. If the costs are for any reason (such as accounting procedure) added to the original Utility Plant cost, they will also be treated as CIAC and deducted to arrive at the WJSF Utility Plant Rate Base.

The CCR contemplates that the District will recover the annual depreciation expense calculated for the total COB share of assets recorded in the WJSF Utility Plant Rate Base. The District will also charge a Rate of Return on the COB share of the WJSF Utility Plant Rate Base (total COB cost share less accumulated depreciation and if applicable any money paid up front by COB toward replacement).

The annual depreciation expense will be based on the agreed upon useful life for each class of newly replace or improved WJSF as defined in the Interlocal Agreement. The total WJSF accumulated depreciation will be an aggregation that reflects the current and historical depreciation expense for each facility that the District makes a capital investment after the assumption. For example, if the useful life of the new mains example is 75 years

per Table 1, then the total annual depreciation expense for those two projects would equal 1.333% of $1,300,000, or about $17,333. The COB payment of its pro rata 39.93% share would be1.333% times $519,090, or $6,919. COB will have no reversionary rights to any such payments to the District. The District will have no restrictions as to use of the income earned from the CCR.

The "Return Of Element", when combined with a "Risk Premium" (and hereinafter referred to as the rate of return (ROR) on the WJSF Utility Plant Rate Base), will reflect the weighted average cost of capital of the District. The weighted average cost of capital method shall reflect the District's actual practice of funding WJSF projects with cash reserves, revenue bonds, PWTF loans, and/or CIAC sources. In this illustration the CIAC source of funding is not included (CIAC has an explicit zero cost of capital to the District) because it will likely never apply to the WJSF projects. In addition, a "Risk Premium" will be added to the weighted average cost of capital as a hedge for the District. The resultant ROR will only change when a new WJSF project is constructed with a funding source or set of funding sources that cause a change in the weighted average cost of capital.

The following is an illustration of the calculation of the ROR after 12/31/03 which is presumed to be zero at that time (assuming COB pays its share of any applicable WJSF cost incurred during the interim period). The illustrated calculation will be updated each time an additional replacement or investment in WJSF projects is made. *Note: There are two main replacement projects assumed to be constructed for this illustration and that each project assumes the same COB capacity interest. However, a different combination of projects could have different COB capacity interests that would need to be calculated before proceeding with the update.*

Illustration:

- Assume WJSF Project 1 is $500,000, with 50% funded with a combined 1% PWTF loan and 10% cash match, and the remainder 50% funded with a Parity Revenue bond at 5% interest.
- Assume WJSF Project 2 is $800,000, with 80% funded with a combined 1% PWTF loan and 10% cash, and the remainder funded with a Parity Revenue bond at 5.5% interest.
- Assume that the fund earnings rate for District invested cash and cash equivalents at the time of the WJSF projects is 4% based on the most recent fiscal year-end King Count Investment Pool earnings performance.

Then the District's weighted average cost of capital for these WJSF capital projects would be calculated as shown on the following page.

WJSF Capital Elements	Amount Invested	Average Interest % (A)	Times % Weight (B)	Weighted Ave. Cost of Capital	Notes and Comments
Cash/Equivalents	$ 89,000	4.00%	6.85%	.274%	Investment Earnings Average
Revenue Bonds	$410,000	5.20%	31.54%	1.640%	$250K @5% and $160K at 5.5% assumed for illustration
PWTF	$801,000	1.00%	61.61%	.616%	Two loans; same interest rates
CIAC	$0	0.00%	0.00%	0.000%	
Total	$1,300,000		100.00%	2.530%	

Therefore, with this scenario, the weighted average cost of capital would be 2.53% for the capitalization of the two WJSF projects. Add the agreed upon Risk Premium of 75 basis points, or 0.75% and the ROR for this illustration is 3.28%. This ROR reflects the District's average cost of financing the facilities including the opportunity cost of using invested cash reserves as a match for the two PWTF loans, plus the Risk Premium.

Taking this illustration if the two WJSF projects were financed with just revenue bond financing, then the weighted average cost of capital would shift to the higher cost of capital that normally goes with such bonds. However, if some of the replacement cost were to be funded by a developer due to an oversizing requirement, then a portion of the cost might go into the CIAC category at zero interest, thus reducing the overall ROR. Given the ROR of 3.28%, plus COB's share of the annual depreciation expense (assume 39.93% per Table 1) payable to the District for say five years following the investment, the CCR would calculate as follows:

CCR Calculation Example	Year 1	Year 2	Year 3	Year 4	Year 5
Investment	$1,300,000	$1,300,000	$1,300,000	$1,300,000	$1,300,000
COB's Share of WJSF Capital Projects at 39.93%	$519,090	$519,090	$519,090	$519,090	$519,090
Accumulated Depreciation	$6,919	$13,838	$20,757	$27,676	$34,595
Est. Utility Plant Rate Base	$512,171	$505,252	$498,333	$491,414	$484,495
ROR Payable @ 3.28%	$16,799	$16,572	$16,345	$16,118	$15,891
Depreciation Payable (75 year life, or 1.333%	$6,919	$6,919	$6,919	$6,919	$6,919
Total Cost of Capital - COB	$23,718	$23,491	$23,264	$23,037	$22,810

Summary:

The District's WJSF Capital Cost Reimbursement will include the two main cost recovery elements, depreciation expense and ROR on WJSF Utility Plant Rate Base. The actual numbers for each cost component can only be determined once the District makes a new investment in joint serving facilities after the effective date of the Interlocal Agreement for

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the December 31, 2003 assumption. Key elements of this option are summarized as follows:

- Unless otherwise mutually agreed or provided for below, all joint serving assets existing at 12-31-03 will be classified as CIAC (donated or COB as fully paid for its share), thus reducing the net book value to zero as a starting point.
- If there is a WJSF capital replacement project or two constructed between the date of the Interlocal Agreement and prior to 12-31-03 (the Interim period), the project costs will be an allowed addition to the beginning WJSF Utility Plant Rate Base. Such capital project cost additions will only be approved if the COB share of that construction cost is not included in the COB payments for retirement or defeasance of debt at the time of the assumption.
- The COB will begin paying its CCR as of the end of the first month after the assumption date, December 31, 2003.
- If the District does not replace any WJSF during the Interim period or after the date of the Assumption, then there will be no CCR for Bellevue to pay to the District.
- The District must fully finance each WJSF capital replacement, improvement or upgrade project before the City of Bellevue's cost share can be added to be WJSF Utility Plant Rate Base. Any payments made by developers, grants received or upfront payments made by Bellevue will be recorded as CIAC – Water Joint Serving Facilities, and the City of Bellevue's share of such CIAC sources of funding will be deducted from the WJSF Utility Plant Rate Base recorded value.
- All engineering design, planning and administration related costs of WJSF capital projects shall be capitalized and included in the total cost of the projects. Then the City of Bellevue's share would be included in WJSF Utility Plant Rate Base.
- The annual depreciation expense will be calculated for each project based on the full cost and the assigned useful life per the Interlocal Agreement; no salvage value need be calculated. The annual depreciation percentage accrual rate will be multiplied times the COB share of each project included in the schedule of WJSF Utility Plant Rate Base projects. For example, a 75-year life is a 1.333% depreciation rate (1/75); a 50-year life is a 2.000% depreciation rate.
- The ROR will be updated each time a WJSF is replaced or upgraded, thus requiring a capital expense. No update will occur if the capital project is a Major Maintenance, Emergency Maintenance or Emergency Repair. If and when an ROR is recalculated, the update shall reflect the cumulative affect of actual financing for each project. The average cost of capital components, e.g., cash reserves, varied forms of debt and CIAC, will be combined with the existing line item capital sources of capital for WJSF to calculate a revised weighted average cost of capital for the entire WJSF Utility Plant Rate Base. A Risk Premium of 75 basis points, or

0.75% will be added to the weighted average cost of capital to establish the applicable ROR for the City's share of the WJSF Utility Plant Rate Base.

- The Risk Premium to be included in the total ROR on WJSF Utility Plant Rate Base shall be fixed at 0.75% for the duration of the IA.
- The District will have no restrictions on how it uses CCR revenues paid by the COB in addition to the separate annual wheeling charge.
- The COB will have no right to a refund of any unused CCR payments, or interest thereon over the 25 to 30 years Bellevue is expected to remain dependent on the District's WJSF.

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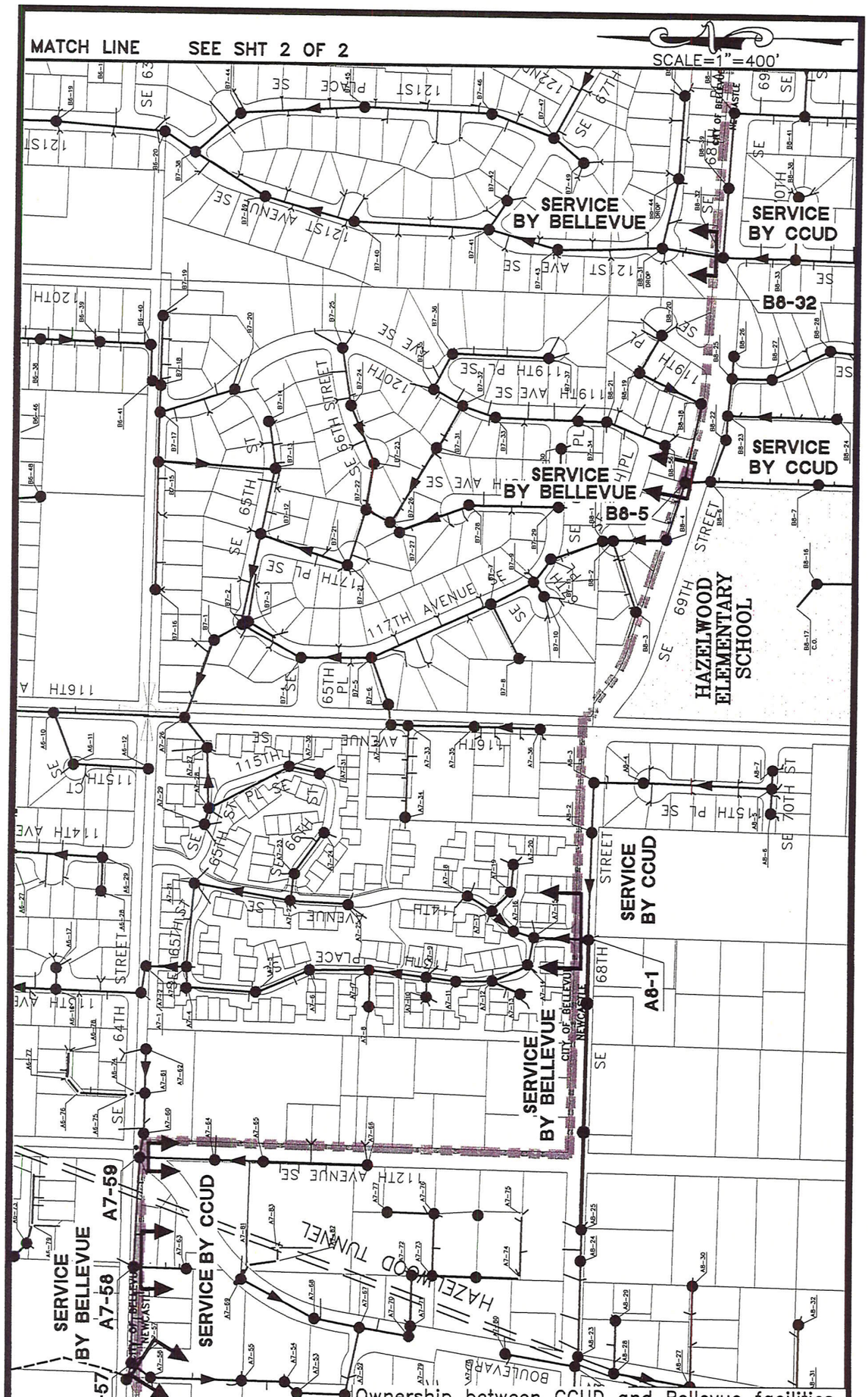

Ownership between CCUD and Bellevue facilities will be at the outside edges of the adjacent manholes shown on this exhibit.

Penhallegon Associates Consulting Engineers, Inc.

COAL CREEK UTILITY DISTRICT
& CITY OF BELLEVUE
DESIGNATION OF
SEWER OWNERSHIP
EXHIBIT J

1 OF 2

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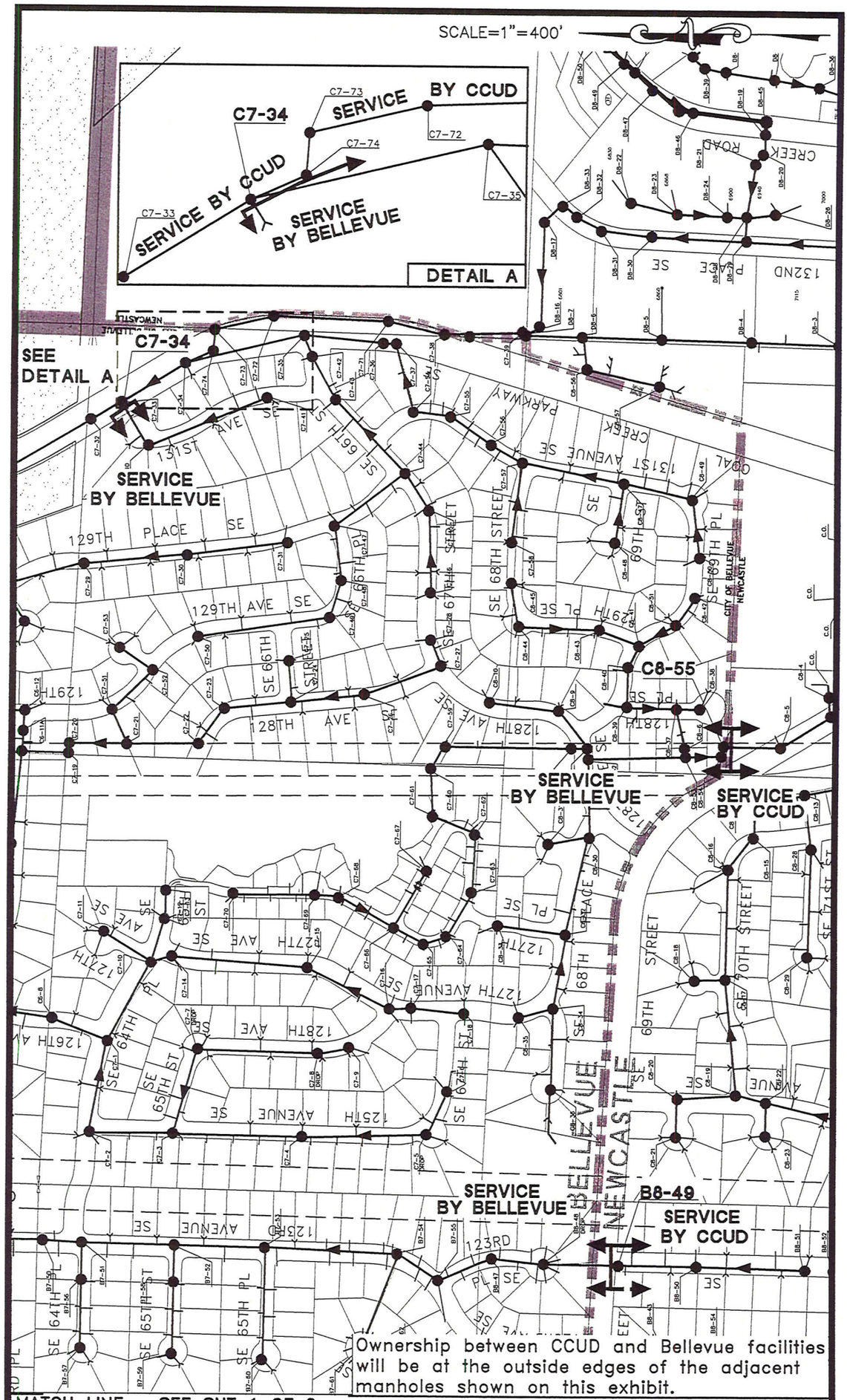

Ownership between CCUD and Bellevue facilities will be at the outside edges of the adjacent manholes shown on this exhibit.

MATCH LINE SEE SHT 1 OF 2

Penhallegon Associates Consulting Engineers, Inc.

COAL CREEK UTILITY DISTRICT
& CITY OF BELLEVUE
DESIGNATION OF
SEWER OWNERSHIP
EXHIBIT J

2 OF 2

CITY OF SEATTLE

FULL REQUIREMENTS CONTRACT

FOR THE

SUPPLY OF WATER

TO

COAL CREEK UTILITY DISTRICT

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FULL REQUIREMENTS CONTRACT

BETWEEN
THE CITY OF SEATTLE
AND
THE COAL CREEK UTILITY DISTRICT

FOR THE SUPPLY OF WATER

THIS CONTRACT is entered into between the CITY OF SEATTLE ("Seattle"), a municipal corporation of the State of Washington, and the COAL CREEK UTILITY DISTRICT ("Water Utility"), a municipal corporation of the State of Washington.

RECITALS

1. Seattle owns and operates a system for the supply, transmission and distribution of potable water and is authorized to sell and distribute water to its residents and to other persons and customers located outside the corporate limits of Seattle.

2. Seattle's water system is integral to the health and welfare of the residents located within the water service area shown in Seattle's Water System Comprehensive Plan. Seattle intends to provide water from the system to meet the current and future needs of the residents of such water service area when such service is requested from Seattle.

3. In meeting this service commitment, Seattle must ensure that this role does not place financial burdens on its retail customers for which they do not receive a corresponding benefit.

4. This contract and contracts of a similar nature with other wholesale customers of Seattle located within Seattle's service area are intended to provide those customers with the security of a long term service commitment and to describe the terms and conditions associated with that commitment.

5. Under this contract, Seattle intends to provide wholesale water to Water Utility at an equivalent level of service and under the same pricing principles as it provides water to Seattle's own distribution system.

6. Given the extensive of growth of the Seattle and surrounding areas and the impacts upon infrastructure and costs, this contract is intended to provide sufficient water for growth. As a general philosophy for cost sharing purposes, the parties desire to adopt the principle that "growth should pay for growth."

7. Seattle and Water Utility, together with other wholesale customers of Seattle, have agreed to establish an Operating Board comprised of representatives pledged to represent the best interests of the region in order to provide overall direction to the Administrator of the Seattle Water Supply System.

NOW, THEREFORE, in consideration of mutual covenants herein, it is agreed as follows:

SECTION I. DEFINITIONS

For the purposes of this contract, the following terms have been defined as:

"Full Water Requirements" - All of the water needed by Water Utility to meet the needs of its present and future water customers within its service area as shown in Water Utility's comprehensive water system plan.

"Block Purchase Contract" – A contract in which Seattle sells a fixed quantity of water to the Wholesale Customer on a take or pay basis.

"Full Requirements Contract" – A contract in which Seattle supplies a Wholesale Customer with its Full Water Requirements.

"Partial Requirements Contract" - A contract in which Seattle supplies a Wholesale Customer with that portion of its Full Water Requirements above that provided by the Wholesale Customer's own supply.

"Wholesale Customer" – Those customers who receive water from Seattle for the purposes of reselling to others.

"1982 Water Purveyor Contract" – That certain Water Purveyor Contract between Water Utility and Seattle having an effective date of September 8, 1982.

"Existing Supply Resources" - Current components of the Seattle Water Supply System which consist of the Cedar River storage, treatment and diversion facilities, the Tolt River storage, treatment and diversion facilities, and the Highline Well Field as set forth in Exhibit VII.

"FC" – Means Facility Charge.

"1% Water Conservation Program" - A program which has been implemented by Seattle with the agreement of Water Utility which contains a goal of 1% conservation per year for ten years.

"Seattle Water Supply System" - Seattle's water supply system consisting of dams, impounded water, supply and transmission mains, pumps, treatment facilities, and all other facilities utilized in conveying water to Seattle's retail service area, to Water Utility and other Wholesale Customers. This definition does not include Seattle's water distribution system, which is used to serve its Retail Customers.

"Seattle's Average Cost of Debt" - The weighted average interest rate on Seattle's water system debt outstanding calculated at the end of each calendar year during the term of this contract.

"Rate of Return on Investment" - Seattle's Average Cost of Debt, plus 1.5 percent.

"Service Connection" - The water meter and appurtenances through which water is delivered from the Seattle Water Supply System to a Wholesale Customer's water system.

"Seattle Transmission Facilities" – Those facilities serving Seattle's regional transmission needs as set forth in Exhibit VIII.

"Stranded Costs" – Those water supply and related costs that Seattle and others have invested for the region which may not be recovered as a result of lost revenues.

"Seattle Water System Comprehensive Plan" - Seattle's Water System Comprehensive Plan dated April, 2001, and amendments thereto, prepared by Seattle to comply with the requirements of WAC 248-54-580, and successor regulations.

"Administrator" - The Director of Seattle Public Utilities or any other title given to that person who maintains the authority to operate and manage the Seattle Water Supply System.

"Operating Board" – A board of representatives having the powers and duties set forth in Section V hereof.

SECTION II. TERM OF CONTRACT AND GUARANTEES

II.A. Term of Contract

1. Term. This contract shall take effect upon the signature of both parties and shall remain in effect until 12:01 AM on January 1, 2062.

2. Subsequent Right Of First Refusal. At the end of the term of this contract, Water Utility shall have a right of first refusal to continue to purchase the amount of water then purchased from Seattle at the time of contract expiration.

3. Periodic Review and Right to Change Certain Terms and Conditions. The parties may review and change certain terms and conditions governing the sales of water hereunder on January 1, 2022 and January 1, 2042 as follows.

    a. Consensual Process. On or before January 1, 2021, and then again on or before January 1, 2041, either party may provide the other with a written proposal to amend the contract terms. The parties shall then meet and consider the proposal. If the parties agree to the proposal prior to January

1, 2022 and January 1, 2042, respectively, a written amendment to this contract shall be approved and executed by both parties and this contract shall be amended accordingly.

b. Seattle' s Right to Amend. If the parties are unable to agree on a proposal by Seattle pursuant to subsection a. above within the respective one-year periods, Seattle may propose in writing its desired amendment to the Operating Board. Seattle and the Operating Board shall meet and consider the proposed amendment and use reasonable efforts to resolve any differences in the proposal. After 90 days from Seattle's written proposal to the Board, Seattle may propose its desired amendment to the Seattle City Council. If the Operating Board does not agree with such proposal, it may submit a revised proposal to the Seattle City Council within 90 days of Seattle's submission of its proposal to the Seattle City Council. After receiving the Operating Board's alternate proposal, or after the lapse of the 90 day period for the Operating Board to make an alternate proposal, the Seattle City Council may then deny both proposals or approve one of them and issue an amendment to this contract which shall be in effect for the remaining term of the contract from the date of issuance, unless later amended pursuant to subsection a. above, or by mutual agreement.

c. Limitation on Seattle's Right to Amend. Notwithstanding subsection b. above, Seattle shall not have the right to: (i) reduce its obligation to provide the Full Water Requirements of Water Utility; (ii) cease to provide wholesale water to Water Utility at an equivalent level of service as it provides water to Seattle's own distribution system. (iii) charge a higher wholesale rate for water supply and transmission to Water Utility than that charged to Seattle for supply to its retail customers, (iv) reduce its water quality obligations hereunder, (v) change the methodology for calculating Rate of Return on Investment, (vi) restrict Water Utility's right to withdraw from this contract, and (vii) disband or significantly reduce the powers of the Operating Board.

II.B. Agreement to Supply and Purchase Water

1. Full Requirements Commitment. Seattle shall supply the Full Water Requirements of Water Utility for the term of this contract. Except as set forth in Exhibit I and section II.B.5 below, Water Utility shall purchase all of its wholesale water needs from Seattle.

2. Adjustments in Water Utility's Service Area. In the event Water Utility acquires additional service area that is: 1) located outside of the service area identified in its comprehensive water system plan and 2) which is not already served with Seattle water, then Seattle shall supply the water requirements of the additional

service area subject to a) Seattle's ability to serve that area, and b) Water Utility's payment of FCs for that additional service area in accordance with section IV.E..

3. Assumption or Transfer of Responsibilities. In the event Water Utility's entire service area and service responsibilities are assumed by or are transferred to another utility, then this contract shall become null and void at the time of the assumption or transfer; provided, however, if the transferee of the service area is a Wholesale Customer, Seattle shall provide water to the transferee according to the terms of the transferee's water supply contract with Seattle. If the transferee is not a Wholesale Customer, then Seattle shall issue the transferee a water supply contract for such area subject to terms and conditions as Seattle shall determine.

4. Annexation by Seattle. If the entire water service area of Water Utility is annexed to Seattle, then this contract shall become null and void upon Seattle's assumption of Water Utility's water system.

5. Water Utility's Right To Terminate or Reduce Purchase Commitment. Water Utility's commitment to purchase water from Seattle under this contract may be terminated or reduced subject to the terms and conditions set forth below. Water Utility shall provide Seattle at least 5 years written notice thereof, provided, however, if Seattle unilaterally amends the terms and conditions of this contract pursuant to Section II.A.3 above, Water Utility may terminate this contract at any time within 1 year thereafter by giving Seattle 1 year written notice.

   a. Automatically Permitted Reductions. Water Utility may, without restriction, upon five years written notice to Seattle, reduce its water purchases from Seattle by an amount not to exceed 10 million gallons per day of its average annual demand.

   b. Reductions Requiring Permission. Water Utility may reduce quantities of water purchased from Seattle by more than the amount identified in the preceding section or by providing less than five years advance notice of such reduction if in the judgment of the Operating Board, using the criteria listed below, it determines that such reduction is in the best interest of the Seattle Water Supply System as a whole.

   c. Criteria. The criteria to be used by the Operating Board in determining the best interest of the Seattle Water Supply System shall include but not be limited to the following:

      i. The potential for Stranded Costs and impacts on rates;

      ii. The cost of new resources;

iii. The feasibility and benefit of reallocating to Seattle or other customers the amount of water foregone by Water Utility; and

iv. Environmental aspects of the proposed change.

The Operating Board shall act promptly and reasonably in evaluating and deciding upon Water Utility's request. The Operating Board may approve, with or without reasonable conditions, or deny Water Utility's request based on the above criteria. Approval conditions may include a requirement that Water Utility waive its rights to be served its Full Water Requirements. If the approval conditions are unacceptable to Water Utility, it may elect in writing to withdraw its request and this contract shall continue in full force and effect.

II.C. Continuity of Service within the Term of the Contract

1. Parity of Service. Seattle shall provide wholesale water to Water Utility at an equivalent level of service that it provides to Seattle's own distribution system. In the event of a general emergency or weather-related water shortage affecting the entire Seattle Water Supply System, general restrictions placed upon water deliveries to Water Utility shall be determined by the Operating Board and applied equally to Seattle's distribution system and the Wholesale Customers. In the event of localized emergency problems, Water Utility acknowledges temporary, localized service interruptions may occur for the duration of the emergency.

2. Emergency Curtailment Measures. It is recognized by both parties that emergency water use curtailment measures may have to be implemented by Seattle on a regional basis in order to meet an emergency condition or a regional water shortage. The procedures to be used in the event of a weather-related regional water shortage, or shortages caused by other factors, shall be as described in Seattle's Water Shortage Contingency Plan in effect as of the effective date of this contract, or successor contingency plans. Successor contingency plans shall be developed and implemented by Seattle in consultation with the Operating Board. Water Utility shall assist with and support all emergency curtailment measures that are implemented.

3. Other Emergencies. Seattle may temporarily interrupt or reduce deliveries of water to Water Utility if Seattle determines that such interruption or reduction is necessary or reasonable in case of system emergencies or in order to install equipment, make repairs, replacements, investigations and inspections or perform other maintenance work on the Seattle Water Supply System. Except in cases of emergency, and in order that Water Utility's operations will not be unreasonably interrupted, Seattle shall give Water Utility and the Operating Board reasonable notice of any such interruption or reduction, the reasons for and the probable

duration. Seattle shall use its best efforts to minimize service interruptions to Water Utility.

4. Waiver Of Charges. If interruption or reduction in service to Water Utility requires that Water Utility draw water supply in a manner that subjects Water Utility to demand charges (as described in Exhibit III hereto), Seattle shall waive such charges during the period of such interruption or reduction.

II.D. Water Quality

1. Seattle Water Supply System. Seattle shall be responsible for water quality within the Seattle Water Supply System as set forth below. Seattle shall construct, operate and maintain water quality treatment facilities and use its best efforts to carry out its water quality responsibilities in the most cost-effective manner for the region.

2. Applicable Standards. Seattle shall at all times during the term hereof deliver water to Water Utility's system that meets or exceeds all applicable Federal, State and local regulations as the same may change from time to time.

3. System-wide Water Quality Plan. Seattle, in consultation with the Operating Board, shall develop and maintain a system-wide regional water quality plan. The plan shall describe, at a minimum, goals, objectives, procedures and the means to satisfy legal requirements and industry standards for water quality, monitoring, information exchange, best management practices, adaptive management practices, public health protection, and cross connection control. The Operating Board may form a technical subcommittee to provide input and review of such plan. Seattle shall share available water quality data and technical expertise with all Wholesale Customers.

4. Distribution Systems. Water Utility shall be responsible for compliance with all applicable federal, State and local water quality laws and regulations applicable to water in its distribution system including any water from supply sources that it may own or operate.

5. Monitoring. Water quality monitoring shall be performed by Seattle in the Seattle Water Supply System and by Water Utility in its distribution system to comply with federal, State and local water quality regulations, to verify the condition of water that is passing from one entity to the other, to enhance system operation and to document the aesthetic qualities of the water. Notwithstanding the foregoing, Water Utility may contract with Seattle for water quality monitoring services as an elective service under section IV.F. hereof.

6. Water Quality Notifications to Customers (Consumer Confidence Reports). Each party shall prepare at its sole cost periodic water quality notifications to its

respective retail customers and regulatory agencies as required by law. Seattle shall provide Water Utility all water quality data in a timely manner regarding the Seattle Water Supply System that Water Utility may be legally required to report in such notices.

7. Water Quality Best Management Practices and Adaptive Management Practices. The Operating Board shall develop best management practices ("BMPs") and adaptive management practices ("AMPs") as reasonably necessary to protect water quality within the Seattle Water Supply System. The BMPs and AMPs will include recommendations to prevent deterioration of water quality in transmission and distribution systems. The parties shall use reasonable efforts to comply with the BMPs and AMPs.

8. Flushing. Water Utility shall be solely responsible for flushing water mains within its system. Flushing allowances will be provided by Seattle only when the Operating Board determines that flushing is required to maintain or improve regional water quality.

9. New Water Sources. Prior to the introduction of any new water supply source by Water Utility which mixes with water in Seattle's Transmission Facilities, the proposed source must be evaluated using customary and reasonable water quality criteria developed in consultation with the Operating Board to ensure compatibility with Seattle water. The proposed Water Utility source must also meet all federal, state and Seattle water quality and treatment standards. Water Utility shall also provide Seattle with satisfactory results from a blending study to determine the compatibility of the source with existing sources already in the Transmission System, the appropriate method and level of treatment and the probable distribution of the new supply within the Transmission System. Water Utility shall also complete a flavor rating analysis of no more than 3.0 as tested by Seattle's Flavor Profile Panel according to the methodology described by the American Water Works Association, or its successor. Water Utility shall obtain all necessary and appropriate regulatory permits, reviews and approvals for rights to and operational use of such water supply source. The introduction of any direct or indirect potable reuse water into Seattle's Transmission Facilities shall, in addition, require Seattle's prior written consent.

   The Operating Board may form a technical subcommittee to develop water quality standards and review and advise on the water quality evaluation criteria for proposed new sources. Such criteria for new sources shall be the same for surface water and ground water.

10. Transfers Outside Seattle's Transmission System. If, with the consent of Seattle, water is transferred between Water Utility and another water utility in a manner that does not use the Seattle Water Supply System, Water Utility or the other

water utility shall be responsible for meeting all applicable water quality standards related to the transfer of such water.

II.E. Conservation

The parties acknowledge that conservation prolongs the time before new supply resources are needed and thus constitutes an important ongoing tool in managing the water resources of the region. Accordingly, Water Utility hereby adopts and agrees to be bound by Seattle's 1% Water Conservation Program through the year 2010.

1. Performance Measurements. For the purposes of determining water conservation performance, Water Utility's water use shall be measured in conjunction with the use of all other participants in Seattle's 1% Water Conservation Program. The Operating Board may develop reasonable criteria to measure the participants' water conservation performance in accordance with such program.

2. Conservation Above the 1% Program. Water Utility acknowledges that water conservation beyond the 1% Water Conservation Program may be required as condition of State or federal regulations, court orders, settlements or agreements made to avoid litigation, fines or penalties, or as otherwise determined to be reasonably necessary by the Operating Board. The Operating Board may adopt reasonable additional conservation measures and targets for such purposes. Such conservation measures and targets shall apply in the same manner to all holders of Full and Partial Requirements contracts and to Seattle. Except as provided in the next subsection, Water Utility shall use reasonable efforts to abide by and perform such water conservation measures and to meet the adopted targets.

3. Water Utility's Option to be Conservation Service Provider. Water Utility may elect to provide its own water conservation program, beyond its commitment to the 1% Water Conservation Program to meet conservation targets adopted by the Operating Board or more stringent targets. Water Utility shall bear the costs thereof and shall be solely responsible for its implementation. Under this option, Water Utility shall be evaluated for meeting water conservation targets solely by its own performance.

4. Incentives and Penalties. The Operating Board may adopt penalties for shortfalls in water conservation and rewards for meeting or exceeding adopted targets. In the event Water Utility or Seattle fails to meet the adopted targets set by the Operating Board, the Operating Board may assess a penalty. Penalties may not exceed the cost of Seattle undertaking those conservation measures reasonably needed to achieve the adopted target.

5. Postponing The Need For New Water Supply Facilities. In order to avoid the necessity of developing new physical water supply facilities for as long as reasonably practicable, any water saved through conservation in either Seattle's or

Water Utility's retail service areas shall be dedicated first to the municipal and industrial water supply requirements of the Seattle Water Supply System before any other use of such water may be undertaken.

SECTION III. CONDITIONS OF SERVICE

III.A. Minimum Hydraulic Gradient

1. Initial Minimum. Seattle shall maintain a minimum hydraulic gradient or head at a maximum flow rate in amounts and at locations described in Exhibit II attached hereto for each Service Connection from Seattle's Water Supply System to Water Utility's distribution system. Such gradients and locations shall be contained in Seattle's and Water Utility's future water system comprehensive plans. Seattle shall operate and maintain facilities necessary to carry out such obligation. If Seattle and the Operating Board find that a project resulting in the modification of such minimum gradient or head would benefit the Seattle Water Supply System as a whole, the minimum hydraulic gradient or head described in Exhibit II may be modified by Seattle if such modification is feasible from an economic, land use and engineering perspective taking into account the facilities required to carry out and for Water Utility to adapt to such modification. Seattle may make these modifications only once during any fifteen (15) year period provided that four (4) years advance written notice is given to Water Utility, unless a shorter notice is approved by the Operating Board.

2. Emergencies. If Seattle is prevented by emergency circumstances from providing such minimum hydraulic gradient, Seattle shall supply not less than the volume of water equivalent to the maximum 24-hour average flow rate required by Water Utility as shown on Exhibit II for each 24 hour period that the minimum hydraulic gradient is interrupted.

3. Additional Service Connections. Additional Service Connections between Water Utility's and Seattle's water systems or adjusted minimum gradients may be established from time to time by mutual agreement between Seattle and Water Utility subject to approval by the Operating Board. Exhibit II shall be appropriately amended to reflect such additions or adjustments.

III.B. Resale to Other Parties

Water Utility may sell water supplied by Seattle to water purveyors located outside of Water Utility's existing or future boundaries only upon the prior written consent of Seattle (or oral, in case of emergency). Agreements for resale of water by Water Utility listed in Exhibit I are hereby approved by Seattle subject to whatever written terms, conditions and limitations that Seattle has imposed on such resale.

III.C. Interconnection With Other Systems

1. Prohibition on Interconnection. Water Utility shall not interconnect any part of its system supplied with water from Seattle with other water systems without the prior written approval of the Operating Board, or, in case of emergency, upon oral approval by Seattle, which shall not be unreasonably withheld. Any such interconnection shall be subject to the approval of the Washington State Department of Health and shall include the installation of a meter. Such other systems must be in compliance with all applicable local, State and federal laws and regulations including the requirement that they have a valid operating permit issued by the Washington State Department of Health.

2. Requests by Seattle to Interconnect. Seattle may request that Water Utility interconnect its water system to the water system of an adjacent Wholesale Customer. Water Utility shall comply with that request subject to the terms and conditions set forth below.

3. Requirement for Interconnection. If Water Utility does not consent to Seattle's request for interconnection, Seattle may propose the interconnection of Water Utility's water system to the adjacent Wholesale Customer to the Operating Board. Water Utility may present facts and arguments to the Operating Board in opposition to the interconnection and/or to document its costs in making the interconnection and conveying water to the adjacent Wholesale Customer. The Operating Board shall hear and consider the matter. Upon (a) a written finding by the Operating Board that the proposed interconnection with an adjacent Wholesale Customer is feasible taking into account Water Utility's capabilities, limitations and obligations, (b) a written finding by the Operating Board that such interconnection benefits the Seattle Water Supply System and (c) a written demand of the Operating Board that Water Utility carry out the interconnection, Water Utility shall be required to interconnect its facilities to the adjacent Wholesale Customer for the purpose of supplying water to that Wholesale Customer through the distribution system of Water Utility, provided that the interconnection shall be performed in a location and according to a schedule which does not unduly disrupt Water Utility's operations.

4. Payment and Indemnity. Water Utility shall be paid its actual costs of providing such interconnection and water transmission service to the adjacent Wholesale Customer, plus a reasonable amount for overhead, administration and rate of return (equal to Rate of Return on Investment) on such costs, and Water Utility shall be indemnified from any liability that may result from providing such interconnection. The Operating Board may adopt a standard methodology for calculating costs that ensures that Water Utility is fairly compensated for such service.

III.D. Development of Regional Supply and Transmission Infrastructure

Final decisions and authority to approve construction of capital infrastructure related to the Seattle Water Supply System shall rest with the Seattle City Council. Capital construction activities include all renewals, replacements, upgrades, expansion and any other capital construction activities.

III.E. Metering Equipment

Seattle shall own and maintain appropriate metering devices to measure the amount of water delivered to Water Utility pursuant to this contract. At Water Utility's request and expense, Seattle shall install and maintain equipment selected by Water Utility and approved by Seattle to transmit signals to Water Utility's recording equipment (at locations determined by Water Utility) of the amount of water delivered as measured by Seattle's meter(s).

Until such time as Seattle determines it to be economical to install metering devices to measure the amount of water delivered from the Seattle Water Supply System to Seattle's distribution system, the amount of water delivered to the Seattle distribution system shall be measured indirectly by subtracting the metered water delivered to all of Seattle's Wholesale Customers from 98% of the total amount of water exiting Seattle's sources of supply as measured by the supply meters.

SECTION IV. COST OF WATER & TRANSMISSION

Cost-based rates are a water industry accepted practice and the historical practice of Seattle and the Wholesale Customers. The rate-making principles, policies and methodologies set forth in this Section IV are intended to meet the objective of equitable and cost-based rates.

IV.A. Rate-making Principles

The following general principles and policies shall apply to the establishment of all rates and charges for water supply and related services hereunder beginning on January 1, 2002. Prior to that date, the pricing method of the 1982 Water Purveyor Contract shall be maintained.

1. No expenses attributable to electric power development maybe allocated to the cost pools identified herein unless the pools are allocated a commensurate share of revenue derived from such development.

2. Seattle shall utilize generally accepted accounting principles consistently applied as a basis for developing the financial information upon which rates and charges are based.

3. Abrupt changes in financial policies should be avoided.

4. The rate structure should encourage the efficient use of water, conservation and the timely development of new environmentally responsible water sources and should incorporate seasonal rates and other pricing approaches to encourage efficient use.

5. The rate structure should be innovative, flexible and adaptive whenever it is cost effective and beneficial in furthering the rate-making policies.

6. The rate structure should be simple to administer and easily understandable.

7. The rate structure should be fair and equitable while the balancing the needs of all parties.

8. Capital costs which benefit only a new Wholesale Customer shall be allocated to that customer and not to any cost pool described in this contract.

9. Seattle's distribution system which serves its retail customers shall be treated as the equivalent of a Wholesale Customer of the Seattle Water Supply System for the purpose of charging Seattle the same wholesale rates and charges as Water Utility for water supply and transmission. Costs calculated under the costs pools described below shall apply equally to Water Utility and to Seattle's distribution system, which serves its retail customers.

10. The allocation of costs associated with capital construction activities within the Seattle Water Supply System shall be the responsibility of the Operating Board. The Operating Board shall use its best efforts to determine and approve a cost allocation method for infrastructure projects prior to the capital project obtaining construction approval from the Seattle City Council. Failure of the Operating Board to determine and approve a cost allocation method shall not hinder the Seattle City Council from approving capital infrastructure projects in order to assure Seattle's ability to fulfill the requirements of this contract.

11. The purveyor balance account as that term is defined in the 1982 Water Purveyor Contract between Seattle and Water Utility shall be credited to the Wholesale Customers in a ratable and equitable manner commencing with the application of rate making policies and framework.

IV.B. Rate-making Framework

Subject to the foregoing principles, wholesale rates and charges for the services described in this contract shall be developed by Seattle based on the following framework:

1. Water Supply and Transmission Service. The costs of water supply and transmission of water shall be accounted for separately in the water supply and transmission cost pools described below. The price for each service shall be recovered through separate rates for each service. All direct costs incurred in providing water supply and transmission services shall be allocated to the appropriate cost pool and recovered through the rates for each service. In addition, certain indirect costs consisting of a reasonable overhead and administration cost shall be allocated to the appropriate cost pool and recovered through rates for each service.

2. Water Supply - Basic and Elective Services. The costs of supplying water falls into two categories – basic and elective services. Basic service costs includes direct and indirect costs attributable to the delivery of water to the Wholesale Customers and to Seattle's retail service area pursuant to the foregoing principles. Elective services are optional services, such as water quality laboratory services and specific engineering support that Seattle makes available.

3. Conservation. Costs incurred by Seattle for regional conservation shall be allocated to the Wholesale Customers through rates or FCs as determined by the Operating Board in the New Supply Cost Pool.

IV.C. Water Supply Pricing – Basic Services

1. Two Water Supply Cost Pools. For the purposes of determining costs of water supply, there shall be two cost pools: An existing supply cost pool ("Existing Supply Cost Pool") and a new supply cost pool (" New Supply Cost Pool").

   a. Existing Supply Cost Pool. The Existing Supply Cost Pool shall be accounted for as follows:

      i. A basic services rate for water supply shall be levied to recover the full costs of operating maintaining and replacing the Existing Supply Resources incurred by Seattle.

      ii. All conservation programs undertaken by Seattle prior to the effective date of this contract with the exception of the costs of the 1% Program from January 1, 2002 through 2010, shall be considered an Existing Supply Resource cost.

iii. Renewal and replacement of Existing Supply Resources will be an Existing Supply Resource cost.

b. New Supply Cost Pool. The New Supply Cost Pool shall be accounted for as follows:

i. Water supply resources developed in the future ("New Supply Resources") that expand the capacity of the Seattle Water Supply System, including the costs of the 1% conservation program from January 1, 2002 through 2010 and a portion of the cost of the Tacoma Second Supply Project (as allocated from the Tacoma Second Supply Project Cost Pool as set forth in Section IV.E. 7), shall be included in the New Supply Cost Pool. If any portion of a New Supply Resource project enhances reliability of Existing Supply Resources, the costs thereof may be allocated to the Existing Supply Cost Pool if the Operating Board and Seattle both agree.

ii. The cost of New Supply Resources plus Rate of Return on Investment may be recovered through FCs charged annually to the holders of Full Requirements Contracts, Partial Requirements Contracts and Seattle or through new supply rates based on the costs of such facilities. Such costs which are not recovered on an annual basis through FCs shall be recovered through new supply rates. The new supply rate shall be applied to all holders of Full Requirements Contracts and Partial Requirements Contracts and Seattle.

iii. The Operating Board shall determine the portion of the New Supply Resource costs that shall be recovered through FCs or through new supply rates. The FCs and new supply rates may be scalable to create an incentive for developers to build housing or commercial units with efficient water usage levels. Water Utility, as well as each other Wholesale Customer and Seattle in setting rates for retail customers shall be free to choose the method of incorporating FCs or new supply rates into their own retail rates and charges.

iv. Holders of Full and Partial Requirements Contracts who have not purchased water from Seattle under the 1982 Water Purveyor Contract between Seattle and the Wholesale Customer shall be assessed the full marginal costs of the operation, including Rate of Return on Investment, of the New Supply Facilities. This assessment may be satisfied by either paying FCs and new supply rates or arranging a special water supply rate in lieu of paying FCs.

c. Emergency Surcharge. In the event of a drought, catastrophe or other extraordinary condition that requires emergency expenditures to maintain

a sufficient water supply, Seattle may impose an emergency surcharge on all holders of Full and Partial Requirements Contracts in order to pay for such expenditures and/or maintain financial stability of the Seattle Water Supply System. Any such emergency surcharge shall be presented to the Operating Board prior to adoption by Seattle. Seattle shall consider the comments of the Operating Board but shall nevertheless have the full authority to adopt the charge.

IV.D. Transmission Pricing - Basic Services

2. Two Transmission Costs Pools. For purposes of determining the cost of the transmission of water to the Wholesale Customers there shall be two transmission cost pools consisting of an existing transmission cost pool ("Existing Transmission Cost Pool") and a new transmission cost pool ("New Transmission Cost Pool").

   a. Existing Transmission Cost Pool. Costs to be allocated to the Existing Transmission Cost Pool shall consist of the following: operation, maintenance, repairs and replacements to the Seattle Transmission Facilities.

      i. The Seattle Transmission Facilities are owned and operated as a regional network by Seattle to convey water to Wholesale Customers and to Seattle's distribution system. Therefore, the price of transmission for Seattle water transmitted within the Seattle Transmission Facilities shall be calculated on the same basis to holders of Full Requirements Contracts and Partial Requirements Contracts and to Seattle.

      ii. Costs incurred for purposes of transmission reliability may be included in the Existing Transmission Cost Pool subject to the approval of the Operating Board and Seattle.

   b. New Transmission Cost Pool. The cost of new transmission facilities shall be included in the New Transmission Cost Pool. The renewal, replacement or modification of existing transmission facilities which create an expansion of transmission capacity may be allocated to the New Transmission Cost Pool. The Operating Board shall decide what portion of costs of renewal, replacement or modification of transmission facilities may be treated as new transmission costs and the portion of the cost of a transmission project that extends the geographic extent of the transmission system that shall be recovered through the New Transmission Cost Pool or from a new Wholesale Customer. Except for costs allocated specifically to a specific Wholesale Customer, New Transmission Cost Pool costs shall be recovered through new transmission rates or FCs. The new transmission rate shall be applied in a

uniform manner to all holders of Full Requirements Contracts and Partial Requirements Contracts and Seattle.

2. Demand Charge

a. Seattle may adopt a demand charge in accordance with the methodology described in Exhibit III. The demand charge rate (i.e., dollars per 1000 gallons of deficient storage) shall be based on the equivalent cost of providing the deficient storage.

b. The proceeds of the demand charge will be treated in rate setting as a credit to the New Transmission Cost Pool.

c. Seattle shall suspend the demand charge rate in the event of emergencies and unforeseen conditions.

3. Cost of New or Changed Service Connection. If Seattle changes the location of the Service Connection to Water Utility for Seattle's benefit, then Seattle shall pay the cost and it shall be included in the appropriate transmission cost pool. If Water Utility requests the change in location, then Water Utility shall pay the cost of the new connection.

IV.E. Allocation of Costs and Revenues into Cost Pools

1. Accounting. Seattle shall maintain a cost accounting system consistent with the provisions of this contract and generally accepted accounting principles consistently applied in developing the financial information for determining the costs of construction, replacement, maintenance and operation of the facilities in each cost pool.

a. Asset Accounts. An asset account shall be maintained for each facility and within that account Seattle shall record the original cost of that facility plus betterments and less retirements.

b. Depreciation. Facilities shall be depreciated according to Standard Water System Asset Lives and a record of life-to-date depreciation shall be maintained for each facility. No depreciation shall be recorded in the first calendar year of operation of a facility. A full year's depreciation shall be recorded in every subsequent year.

c. Net Book Value. The net book value of any facility shall the be its original cost plus betterments and less retirements as recorded in its facility asset account, less life-to-date depreciation.

2. Infrastructure Costs. Each cost pool shall include the infrastructure costs for its respective facilities, calculated on a utility, cash or other basis depending upon the facility and the cost pool as set forth below.

   a. Utility Basis. The utility basis shall be used to calculate the infrastructure costs for all Existing Supply Facilities and Existing Transmission Facilities, as well as their replacements and betterments. The utility basis may also be used for new supply facilities and new transmission facilities in Seattle's discretion. Under the utility basis, the infrastructure cost for a facility in any year shall be the sum of (i) the annual depreciation expense recorded for that facility and (ii) the product of the net book value of that facility and the Rate Of Return On Investment.

      At Seattle's discretion, interest costs may be considered current infrastructure costs during the construction of a facility. However, any such interest costs must be considered contributions in aid of construction, and not included in the Net Book Value of the facility for purposes of calculating Utility Basis costs in future years.

   b. Cash Basis. The cash basis may be used in Seattle's discretion for new supply facilities and new transmission facilities, or a portion thereof. Under the cash basis, the infrastructure cost for a facility in any year shall be the actual cash expenditure made by Seattle in that year for either the payment of construction costs or actual principal and interest costs on debt issued to finance its construction. In the event that the depreciation lifetime of the facility is less than the term of the debt issued to finance all or a portion of the facility, debt maturities will be selected such that the construction cost of the facility will be fully amortized at the end of its depreciation lifetime.

   c. Other Basis. Seattle, with the approval of the Operating Board may determine one or more other bases on which to calculate infrastructure costs and may apply these bases to facilities in the New Supply and New Transmission Cost Pools.

3. Operations Costs. The costs of operating the assets assigned to a cost pool shall be included in the cost pool. The annual operations costs of a cost pool shall be the labor, materials, equipment and other direct costs required for the operation and maintenance of the facilities in that cost pool, together with any net profit or expense from the disposition of facilities in that pool. Operations costs shall include the cost of general and administrative overhead applied in a manner consistent with its application to facilities construction projects.

   a. Existing Supply Operations Costs. The parties agree that an efficient way of handling operations costs for the Existing Supply Cost Pool shall be as follows: The Operations Cost base in the Existing Supply Cost Pool for the

year 2001 shall be $17,780,262.00. In each succeeding year, the amount from the previous year shall be adjusted by the percentage increase in cost in the supply cost centers identified in Exhibit IX, except that the increase in treatment operations costs caused by the first full year start-up of the Cedar Treatment Plant at Lake Youngs in or around 2005 shall not be included in the percentage adjustment. Any increase in Cedar Treatment operations costs for the first full year of operation of the plant shall instead be added directly to the Operations Cost total from the prior year as adjusted by the index. For each year after the first full year of operation, increases in Cedar Treatment operations costs shall be included in the adjustment index.

b. Existing Transmission Operations Costs. The parties agree that an efficient way of handling operations costs for the Existing Transmission Cost Pool shall be as follows: the Operations Costs base in the Existing Transmission Cost Pool for the year 2001 shall be $4,531,931.00. In each succeeding year, the amount of these costs from the previous year shall be adjusted by the percentage increase in cost in the transmission cost center identified in Exhibit IX.

c. New Supply Operations Costs. The operation costs of the 1% Program after January 1, 2002 and the Second Supply Project, together with the costs of operating facilities assigned to the New Supply Cost Pool and any other costs approved by the Operating Board, shall be assigned to the New Supply Cost Pool. The base for operations costs for 2001 for the 1% Program shall be $1,326,712.00. This amount shall be adjusted in each succeeding year by the percentage increase in cost in the "1% Conservation" cost center as identified in Exhibit IX.

d. New Transmission Operations Costs. The actual costs of operating facilities assigned to the New Transmission Cost Pool and any other costs approved by the Operating Board, shall be assigned to the New Transmission Cost Pool.

4. Disposition Costs. The costs of disposing of assets within a cost pool shall be included in the cost pool. Net disposition costs shall be calculated as follows:

a. Disposition Under the Utility Basis. The net book value of the facility, less any sales, salvage, or other revenues derived from the disposition of that facility.

b. Disposition Under the Cash Basis. The value of principal of unpaid maturities of debt used to finance the construction cost of the facility, less any sales, salvage or other revenues derived from the disposition of that facility.

c. Disposition Under Other Basis. Disposition of any facilities whose infrastructure costs are calculated on another basis under section IVE..2.c.

above shall be determined by the parties as part of the definition of such other basis.

5. Creation of Additional Cost Pools. Seattle, in its discretion, may create additional cost pools to provide equity and flexibility in payment arrangements and the allocation of costs as the Seattle Water Supply System expands to include new infrastructure and new customers. The costs in an additional cost pool, or a portion thereof, may be added to an existing cost pool subject to the consent of the Operating Board if the costs to be allocated satisfy the criteria for accounting in the existing cost pool.

6. Tacoma Second Supply Project Cost Pool. The Tacoma Second Supply Project Cost Pool shall be an Additional Cost Pool. The Tacoma Second Supply Project Cost Pool shall contain the infrastructure and operations costs associated with the Tacoma Second Supply Project. The New Supply Cost Pool shall be allocated that portion of the Tacoma Second Supply Project costs commensurate with the proportion of the benefits of the project received by Wholesale Customers with Full and Partial Requirements Contracts.

7. Facilities Charge Revenues. Supply FC revenues shall offset infrastructure costs in the News Supply Cost Pool allocated to the Supply FC by the Operating Board. Surpluses and deficits in actual Supply FC revenues over cost allocated to the Supply FC shall be carried forward and earn simple interest at Seattle's Average Cost of Debt. Any current-year deficit (including any surplus balance available from previous years) shall be paid by rates for the New Supply Cost Pool. New Supply Cost Pool rates shall be discounted by surplus Supply FC revenues until any deficit Supply FC balance is repaid, except the amount of this discount shall not exceed, without the agreement of the Operating Board, twice the maximum annual deficit paid by the rate for the New Supply Cost Pool in any one year. In the event that Supply FC surplus balances exceed the Net Book Value of assets whose costs are allocated to the Supply FC, the difference between the Supply FC balance and the Net Book Value of these assets shall be used to discount the rate for the New Supply Cost Pool (and the Supply FC surplus balance shall reduced by the amount of this discount). The use and accounting for transmission FCs shall be done in a like manner to supply FCs. Seattle and Water Utility agree that FC revenues are the sole property of Seattle.

8. Allocation of Cost Pools by Customer Class. The costs in cost pools shall be allocated within the pools as follows:

   a. Allocation of Existing Supply Cost Pool. The total cost of the Existing Supply Cost Pool shall be allocated to two customer classes as follows:

i. Block Purchase Customer Class. The portion of costs in the Existing Supply Cost Pool allocated to holders of Block Purchase Contracts shall be determined pursuant to those contracts.

ii. Full and Partial Requirements Customer Class. The holders of Full Requirements Contracts and Partial Requirements Contracts and Seattle shall be allocated the remaining costs in the Existing Supply Cost Pool.

b. Allocation of New Supply Cost Pool. The costs allocated to the New Supply Cost Pool shall be:

i. Block Purchase Customer Class. The holders of Block Purchase Contracts shall be allocated no costs from the New Supply Cost Pool.

ii Full and Partial Requirements Customer Class. The holders of Full Requirements Contracts and Partial Requirements Contracts and Seattle shall be allocated all costs in the New Supply Cost Pool.

c. Allocation of Existing Transmission Cost Pool. The costs of the Existing Transmission Cost Pool shall be allocated as follows:

i. Block Purchase Customer Class. The proportion of costs in the Existing Transmission Cost Pool allocated to holders of Block Purchase Contracts shall be determined pursuant to those contracts.

ii Full and Partial Requirements Customer Class. The holders of Full Requirements Contracts and Partial Requirements Contracts and Seattle shall be allocated the remaining costs in the Existing Transmission Cost Pool.

d. Allocation of New Transmission Cost Pool.

i. Block Purchase Customer Class. The holders of Block Purchase Contracts shall be allocated no costs from the New Transmission Cost Pool.

ii Full and Partial Requirements Customer Class. The holders of Full Requirements Contracts and Partial Requirements Contracts and Seattle shall be allocated all costs in the New Supply Cost Pool.

e. Allocation of Additional Cost Pools. The costs in any additional cost pool created by Seattle pursuant to the terms of this contract, or portion thereof, may be allocated to an existing cost pool identified above with the consent of the Operating Board.

9. Facilities Charges. If Seattle establishes FCs as authorized herein, then such charges shall be calculated as follows:

a. ERU Definition. Seattle shall develop a definition of an Equivalent Residential Unit ("ERU") based on meter size as set forth in Exhibit VI, number of residential units, water use, or other basis which shall be consistent with accepted industry standards. The Operating Board shall have the right to review and comment on the definition and Seattle shall consider the Operating Board's comments.

b. Record-Keeping. Water Utility shall provide Seattle with an annual accounting of its water connections by January 31st of each year, which shall be accurate as of December 31st of the preceding year. Water Utility shall report the size of the meter and other pertinent data such as the number of residential units or square footage served or water use. Seattle shall provide Water Utility with an annual accounting of its retail service connections on the same basis. Upon reasonable notice, Water Utility shall make its billing and connection records available to Seattle for inspection and copying during normal business hours, and Seattle's billing and connection records shall be made available to Water Utility on the same basis.

c. Annual Calculation of ERUs. Until such time as Seattle develops another basis, the calculation of ERUs in any year shall be the greater of:

i. Method One: The annual growth in the number of meters installed by Water Utility during the year taking into account the size of each meter, or

ii Method Two: The annual growth in total water consumption of Water Utility divided by the annual average use of a single-family residential household of Seattle and all of its Wholesale Customers. The average annual growth shall be measured by a rolling three-year average of the most recent three years. Water use resulting from catastrophes, e.g. large fire, shall be excluded for purposes of this calculation.

d. Imposition of Facilities Charges. Seattle shall collect and Water Utility shall pay FCs based on the number of ERU's added during the previous month determined by the number of meters installed. Seattle shall pay FCs into the accounts of the Seattle Water Supply System on the same basis. Seattle shall prepare and distribute a report no later than March 31st of each year showing the ERU count of Seattle and each Wholesale Customer on such basis for the previous year and each year since the effective date of this contract.

Beginning in the June billing for each year, a truing charge for any underpayment of ERUs taking into account method two described above shall be added to Water Utility's bill in six equal installments.

e. Emergency Situations. Water Utility and Seattle agree that emergency situations may arise that require a Partial Requirements Customer to temporarily demand water in excess of its long-term annual demand. In the event of an emergency, Seattle may suspend the use of Method Two identified above in the calculation of the ERU count for any such Partial Requirements Customer for a period not longer than two consecutive years.

10. Rate Setting. The structure of FCs water rates for water charged to the holders of Full Requirements Contracts and Partial Requirements Contracts shall be determined by Seattle, in its sole discretion, except that the price may not, without the consent of Water Utility, be set to collect more than the costs forecast under Section IV hereof and Rate of Return on Investment. FCs shall be calculated as set forth on page 1 of Exhibit VI.

11. Cost Audit. At the end of each fiscal year, Seattle shall provide a statement of actual costs allocated to each cost pool and other costs and revenues received, which statement may be audited by an external auditor selected by the Operating Board. In addition, Water Utility may have the statement audited by an external auditor of it's choice, solely at Water Utility's expense.

12. Transition. Notwithstanding the foregoing, Water Utility and Seattle agree that it is appropriate to adjust certain terms of this contract for the period commencing with the date of this contract to December 31, 2011 ("Transition Period").

a. Waiver of Supply FCs. Seattle shall not levy Supply FCs on Water Utility as long as the amount of water it purchases from Seattle does not exceed its old water allowance under the 1982 Water Purveyor Contract. This waiver shall continue until the earlier of (i) January 1, 2012; or, (ii) the year in which the average annual water demand of Water Utility exceeds its old water allowance. This waiver, however, shall not relieve Water Utility from the record-keeping requirement of subsection 9 above.

b. Transition Growth Surcharge. A transition growth surcharge of $0.60 per CCF shall be applied to the rates of Water Utility for delivery of water in excess of the old water allowance of the 1982 Water Purveyor Contract for the Transition Period. The revenue from this surcharge shall be used to discount the base rates of the holders of Full and Partial Requirements Contracts by not more than $0.16 per CCF. In the event that the revenues generated by the surcharge exceed those required to fund the discount, Seattle may keep the difference.

IV.F. Elective Services

1. Water Supply Services. Seattle may provide certain elective services (e.g. conservation, engineering) to Water Utility upon request by Water Utility. Such services shall be negotiated and contracted for separately between Water Utility and Seattle.

2. Transmission Wheeling. In consultation with the Operating Board, excess transmission capacity may be made available by Seattle for a fee for purposes of wheeling water between points within the Seattle Water Supply System to Water Utility or to others.

3. Water Quality. So long as Seattle owns and operates a water quality lab, Water Utility may use the services of that lab based on its published rates.

IV.G. Rate Adjustment

1. Rate Adjustment. Upon 120-days notice of its intent to do so, Seattle may adjust water service rates and FCs to Water Utility subject to the terms of this contract. Rate adjustments will be effected only within five years of the completion of a cost of service study to be conducted by Seattle which shall include an analysis of the allocation of operation, maintenance and capital costs between cost pools. Such study shall be prepared in accordance with accepted industry standards. In addition, Seattle shall review the Operating Board's comments and recommendations on the rate proposal and provide a written explanation of any recommendations that are not accepted.

2. Rate Consultant. An independent rate consultant shall be selected by Seattle in consultation with the Operating Board. Detailed information and progress reports from the consultant will be made to Water Utility during the course of the study upon drafting of each major study section directly affecting Water Utility and other Wholesale Customers. A final consultant report shall be made available to Water Utility not less than 30 days before Seattle formally transmits any resulting rate adjustment proposal to the Operating Board.

IV.H. Retail Rate-Setting

Each party to this contract shall have sole authority for establishing retail rates, connection charges and other fees and charges within its respective jurisdiction.

IV.I. Truing Actual Costs and Actual Revenues

A mechanism for reconciling revenue targets for the various cost pools and the actual revenues received during each year shall be implemented by Seattle as follows:

1. For each previously identified class of customers in each cost pool, Seattle shall maintain a running balance of the excess or deficit of actual rate revenues collected less actual expenses incurred. Each balance shall earn simple interest at the rate of Seattle's Average Cost of Debt. At the end of each year, each balance shall be adjusted to reflect the operating results of that year. The statement of these balances shall be reviewed and approved by an external auditor.

2. FC balances shall be carried forward as set forth in Section IV.E.7.

3. Each wholesale rate study shall adjust rates to eliminate the cost pool balances. ERU fees shall be based on the costs of increments in supply and transmission capacity, and shall not be adjusted to reflect surpluses or deficits in FC revenues.

SECTION V. OPERATING BOARD

1. Purpose. The purpose of the Operating Board is to provide certain limited authority to a board of representatives elected by the Wholesale Customers over policy and operational matters as they affect the Seattle Water Supply System.

2. Structure and Authority. The Operating Board shall have the powers and authority as set forth herein. Exhibits IV and V describe the structure and authority of the Operating Board. The matrix provided in Exhibit V is for illustrative purposes only. In the event of a conflict between provisions of this contract which grant specific powers to the Operating Board and Exhibits IV and V, such grants of specific powers shall control. The Operating Board shall not be formed until such time as there are six (6) signatories to Full or Partial Requirements contracts, or January 1, 2002, whichever comes first.

3. Review. The structure and authority of the Operating Board may be reviewed as of January 1, 2007 and every five years thereafter to determine its effectiveness in addressing regional and contractual issues. The review may address the composition of the Board and its powers and authority as set forth in Exhibits IV and V, provided that notwithstanding any other term or provision of this contract, Seattle shall not have the power to disband the Operating Board nor take away or diminish the powers vested in the Operating Board as set forth in Sections II, III and IV of this contract. Either party may initiate the review. The reviewing party shall provide the other with its comments and proposals. The parties agree to consider the other party's comments and proposals and to respond in writing stating its reasons for rejecting any proposals and the reasons for its own counter-proposal. After consideration of all comments and proposals at each five year interval, Seattle may make changes in the structure and authority of the Operating Board that are not inconsistent with the provisions of this subsection.

SECTION VI. PLANNING

VI.A. Reporting of Planning Data

1. By no later than April 1 of each year, Water Utility shall report to Seattle and the Operating Board as follows:

   a. Its annual and peak day total system demand for each year, during the term of this contract, as of December 31st of the previous year.

   b. Its forecast of Full Water Requirements for the year including estimates of annual water consumption and maximum 24-peak demand for the ensuing calendar year, and for the fifth, tenth, and fifteenth year in the future. Such forecasts shall reflect the best judgment of Water Utility.

2. Water Utility shall report other data relating to water supply and demand as may be reasonably requested by Seattle for water planning purposes.

3. Records relevant to water supply and consumption within the possession of Seattle or Water Utility shall be provided to the other upon reasonable request.

VI.B. Submittal of Water Utility Comprehensive Plans

Water Utility shall provide a copy of its water comprehensive plan, including any amendments, to Seattle for inclusion in Seattle's Water System Comprehensive Plan.

VI.C. Seattle as Water Planning Agency

Seattle shall be the lead agency and primary planning authority for the purposes of fulfilling its obligations to provide for the Full Water Requirements of Water Utility. Seattle, in consultation with the Operating Board, shall examine and investigate water supplies suitable and adequate to meet the present and reasonable future needs of Seattle and the Wholesale Customers. Seattle shall prepare and adopt a plan for acquiring such water supplies in a timely fashion. The plan shall provide for the lands, waters, water rights and easements necessary therefor, and facilities for retaining, storing and delivering such waters, including dams, reservoirs, aqueducts and pipelines to convey same throughout the Seattle Water Supply System. In preparing or adopting the plan, Seattle shall consider as possible alternatives or additional water supply sources the acquisition of water from sources controlled and/or developed by individual water utilities, legally constituted groups of water utilities and utilities which are not presently supplied by the Seattle Water Supply System. Seattle has final responsibility for the plan and for fulfilling the obligations of this contract. However, the Operating Board may participate in developing the plan by proposing goals and objectives for the Seattle Water Supply System, by making any additional suggestions and by acting in a review capacity.

VI.D. Comprehensive Capital Facilities Plan

Before ordering any major improvements to fulfill the requirements of this contract, Seattle shall adopt and maintain a comprehensive capital facilities plan for the Seattle Water Supply System, which provide for such improvements. When such plan is updated or amended, it shall be reviewed by the Operating Board prior to submission to the Seattle City Council. The Operating Board shall respond within 60 days of receipt of the plan, or its approval shall be presumed to be given. The response submitted by the Operating Board regarding facilities substantially affecting Water Utility and other Wholesale Customers shall be seriously considered by Seattle. Seattle shall reply to the Operating Board within 90 days with its comments. The Operating Board and Seattle shall use their best efforts to arrive at a mutually acceptable plan.

VI.E. Emergency Planning

An emergency plan shall be prepared and maintained by Seattle as part of its Water System Comprehensive Plan to provide for water supply in the event of drought or disaster. Such plan shall be prepared pursuant to the procedure outlined in Section V1.D. Water Utility shall use reasonable efforts to comply with the provisions of such plan, or alternatively, Water Utility may adopt its own emergency plan if it believes it is prudent to do so.

SECTION VII. PAYMENT

VII.A. Collection of Money Due City

Seattle shall bill Water Utility on a monthly basis for all charges due under this contract. Water Utility shall pay such charges within 60 days of the billing date. Any amounts disputed by Water Utility shall be paid under protest within the 60-day time period.

VII.B. Penalties for Late Payment

All late payments, and any refund of an amount in dispute that was paid under protest, shall accrue interest at 1% per month.

VII.C. Disputes

Water Utility may dispute the accuracy of any portion of charges billed by Seattle by taking the following actions within the 60-day payment period by notifying Seattle in writing of the specific nature of the dispute and paying the undisputed portion of the charges.

Seattle shall consider and decide any billing dispute in a reasonable and timely manner. Any billing disputes that remain after such consideration shall be reconciled pursuant to the dispute resolution procedures of this contract.

SECTION VIII. CONTRACT AMENDMENTS

Seattle shall notify Water Utility and all other holders of Full Requirements Contracts of any amendments to such contracts within 30 days of the execution of such amendment. Water Utility shall then have 90 days to decide whether to include such amendment in this contract by giving written notice to Seattle of its election to do so. Upon the issuance of such notice, Seattle shall issue the amendment to Water Utility and the amendment shall be final and binding upon both parties upon mutual execution.

SECTION IX. DISPUTE RESOLUTION

Dispute resolution shall proceed in four steps as follows:

IX.A. Operating Board Review

Any dispute regarding the terms of this contract shall first be referred to the Operating Board for consideration and recommendation. Each party shall submit a written statement regarding the dispute to the Operating Board.

1. If the dispute cannot be resolved in discussions with the Operating Board, then the Operating Board shall provide written recommendations to each parties within 60 days of the above submittal setting forth its interpretation of the applicable facts and law.

2. If either party rejects the written recommendation of the Operating Board, that party shall within 10 days, notify the other party in writing of its reasons.

IX.B. Seattle City Council Review

The written statements of the parties, the recommendations of the Operating Board and the written reasons for either party's rejection of those recommendations shall then be submitted to the Seattle City Council for review.

1. Within 60 days of the submittal of the written materials, the Seattle City Council shall provide written recommendations to resolve the dispute.

2. If either party rejects the written recommendation of the Seattle City Council, that party shall within 10 days notify the other party in writing its reasons.

IX.C. Non-binding Mediation

Within 10 days of receiving the written rejection of the Seattle City Council's recommendations by one or both parties, each party shall designate in writing not more than 5 candidates it proposes to act as a non-binding mediator.

1. If the parties cannot agree on one of the mediators from the combined list within 5 days, the Operating Board shall within an additional 5 days select one of the mediators from either list to serve as mediator.

2. Upon selection of the mediator, the parties shall use reasonable efforts to resolve the dispute within 30 days with the assistance of the mediator.

IX.D. Resort to Litigation

If mediation fails to resolve the dispute within 30 days of selection of the mediator, the parties may thereafter seek redress in court subject to Section X.H. below.

SECTION X. MISCELLANEOUS

X.A. Notification

Whenever written notice is required by this contract, that notice shall be given to the following representatives by actual delivery or by the United States mail (registered or certified with return receipt requested,) addressed to the respective party at the following addresses or a different address hereafter designated in writing by the party):

SEATTLE:	WATER UTILITY:
Director	Manager
Seattle Public Utilities	Coal Creek Utility District
Dexter Horton Building, 10th Floor	6801 132nd Pl. S.E.
710 Second Avenue	Newcastle, WA
Seattle, WA 98104	98059

The date of giving such notice shall be deemed to be the postmarked date of mailing.

X.B. Severability

The purpose of this contract is to provide for long-term water supply planning and certainty for both Seattle and Water Utility through adoption of orderly plans calling for the expenditure of vast sums of money for regional water supply and transmission facilities. It is the intent of the parties that if any provision of this contract or its application is held by a court of competent jurisdiction to be illegal, invalid, or void, the validity of the remaining provisions of this contract or its application to other entities, or circumstances shall not be affected. The remaining provisions shall continue in full force and effect, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the particular invalid provision; provided, however, if the invalid provision or its application is found by a court of competent jurisdiction to be substantive and to render performance of the remaining provisions unworkable and non-feasible, is found to seriously affect the consideration and is inseparably connected to the remainder of the contract, the entire contract shall be null and void.

X.C. Consent

Whenever it is provided in this contract that the prior written consent or approval of either party is required as a condition precedent to any actions, in each such instance said consent or approval shall not be unreasonably withheld, and in each such instance where prior consent is sought, failure of the party to respond in writing within 90 days of the request shall be deemed as that party's consent or approval unless expressly stated herein. This provision does not apply to requests for amendments of this contract.

X.D. Emergency Situations

Nothing in this contract shall be deemed to preclude either party from taking necessary action to maintain or restore water supply in emergency situations and such action shall not be deemed a violation of this contract.

X.E. No Joint Venture - Individual Liability

This is not an agreement of joint venture or partnership, and no provision of this contract shall be construed so as to make Water Utility individually or collectively a partner or joint venturer with any other Wholesale Customer or with Seattle. Neither party is an agent of the other. Neither Seattle nor Water Utility shall be liable for the acts of the other in any representative capacity whatsoever.

X.F. Complete Agreement

This contract represents the entire agreement between the parties hereto concerning the subject matter hereof. This contract may not be amended except as provided herein.

X.G. Relinquishment of Prior Contract

Upon entering into this contract, Water Utility relinquishes its then existing 1982 Water Purveyor Contract with Seattle and the terms and conditions of that 1982 Water Purveyor Contract shall have no further force and effect.

X.H. Venue, Jurisdiction and Specific Performance

In the event of litigation between the parties, venue and jurisdiction shall lie with the King County Superior Court of the State of Washington. The parties shall be entitled to specific performance of the terms hereof.

X.I. Default

In the event of default of any provision of the contract, the non-defaulting party shall issue written notice to the other party setting forth the nature of the default. If the default is for a monetary payment due hereunder, the defaulting party shall have thirty (30) days to cure the default. In the event of other defaults, the non-defaulting party shall use its best efforts to cure the default within ninety (90) days. If such default cannot be reasonably cured within such ninety (90) day period, the non-defaulting party shall, upon written request prior to the expiration of the ninety (90) day period be granted an additional sixty (60) days to cure the default.

X.J. Force Majeur

The time periods for Seattle's performance under any provisions of this contract shall be extended for a reasonable period of time during which Seattle's performance is prevented, in good faith, due to fire, flood, earthquake, lockouts, strikes, embargoes, acts of God, war and civil disobedience. If this provision is invoked, Seattle agrees to immediately take all reasonable steps to alleviate, cure, minimize or avoid the cause preventing such performance, at its sole expense.

X.K. Successors

This contract shall inure to the benefit of and be binding upon the parties and their successors and assigns.

X.L. Exhibits

Exhibits I through IX are attached hereto and are hereby incorporated by reference as if set forth in full herein.

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereby execute this contract.

COAL CREEK UTILITY DISTRICT

BY: Elston J. Campine

TITLE: PRESIDENT COAL CREEK UTILITY DIST.

DATE 7/11/01

AUTHORIZING LEGISLATION: ORDINANCE/RESOLUTION 1588

THE CITY OF SEATTLE

BY: Diana Gale
Director, Seattle Public Utilities

DATE: July 16, 2001

AUTHORIZING LEGISLATION: ORDINANCE 120362

LIST OF EXHIBITS

I. Contracts, etc.

II. Minimum Hydraulic Gradient of Water Supplied

III. Demand Charge Methodology

IV. Operating Board Structure

V. Contract Authority Matrix

VI. Calculation of ERU's as a Part of Facilities Charges

VII. List of Supply Facilities

VIII. List of Transmission Facilities

IX. Cost Centers used for Operations Cost Indexes

EXHIBIT I

List of documents, commitments, adjustments, reductions, agreements, and/or written approvals by Seattle regarding the supply, purchase and/or resale of water according to Sections I.B. and II.B. of this Contract:

1. Intertie Agreements:

    a.

    b.

    c.

2. Independent Well Sources:

    a.

    b.

    c.

3. Water Supply Contracts To Other Water Utilities:

    a.

CUSTOMARY POINTS OF DELIVERY, MINIMUM HYDRAULIC GRADIENTS, AND MAXIMUM FLOW RATES OF WATER SUPPLIED

SECTION XI. METER SERVICE				MINIMUM HYDRAULIC GRADIENT FOR PLANNING PURPOSES AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	MAXIMUM FLOW RATE UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT APPLIES (gpm) (2)
LOCATION	STATION NUMBER (1)	PIPELINE SEGMENT NUMBER (1)	SIZE OF METER (IN.)		
132nd Ave SE & SE 96th ST	54	8	4	450	40
129th Ave SE & SE 73rd ST	48	8	8	445	Backup to Sta. 52
128th Ave SE & SE 70th ST	52	8	12	445	2,645
128th Ave SE & SE 56th ST	47	8	8	440	Backup to Sta. 55
128th Ave SE & Newport Way	55	8	6	435	225
120th Ave SE & SE 35th ST	46	9	6	425	Backup to Sta. 124
I-90 & Lake Washington Boulevard	50	9	6	425	Fire flow backup
124th Ave SE & SE 38 PL	124	9	8	425	690
				TOTAL:	3,600

Notes:
(1) Station and Pipeline Segment Numbers pertain to the demand metering program.
(2) City of Seattle's estimate of Coal Creek Utility District average daily demand for 2020 with a peaking factor of 2.0 for peak day use.

EXHIBIT III

DEMAND CHARGE METHODOLOGY

The policy of Seattle Public Utilities is to supply water to its Wholesale Customers at, as near as is practical, the twenty-four hour average flow rate, during the peak demand season (June through August). To comply, the Wholesale Customers have to construct adequate storage volume within their individual systems, or sometimes collectively, so as to avoid excessive peak flow withdrawals from the Seattle transmission pipelines. The Demand Metering Program is established to set performance standards, and to monitor the Wholesale Customer's compliance with this policy. If an individual Water Utility exceeds the prescribed threshold, a "demand charge" is calculated.

Except where other agreements supersede the provisions of this contract, each Water Utility shall be subject to a demand charge based on effective deficient storage, as determined by the peak instantaneous flow rate, and the equivalent financing costs to provide storage. The demand charge rate (i.e., dollars per 1000 gallons of deficient storage) shall be based on the equivalent cost of providing the deficient storage. This rate will be determined as part of each rate study.

The Demand Metering Program is charged with implementation of the "demand charge" methodology. It shall be the responsibility of the Seattle, in consultation with the Operating Board, to determine the appropriate means to achieve the program's purpose. The options that may be considered range from temporary suspension on a year by year basis to full activation, as described below.

There shall be no requirement for Seattle to install demand-metering equipment at each Service Connection in order to assess a demand charge. Seattle may choose to apply "demand metering" selectively to certain parts of the transmission network that are designated as "critical" from the standpoint of hydraulic capacity or other operational considerations. Seattle may choose to apply "demand metering" intermittently in various parts of the transmission network for the purpose of monitoring for compliance by individual Wholesale Customers or groups of Wholesale Customers on a given line segment.

EXHIBIT IV

OPERATING BOARD STRUCTURE

1. Structure. The Operating Board (or "Board") shall be structured as follows:

   a. The Board shall consist of seven (7) members, composed of three members representing Seattle Public Utilities (SPU), three members representing Seattle's Wholesale Customers selected as described below and one independent party selected as set forth below to be a tie-breaker as needed. Board members shall, to the best of their ability, act in the best interests of the Seattle Water Supply System as a whole and shall not represent the interest of a group of utilities or an individual utility.

   b. The term of each Board position shall commence on January 1 and shall be for four (4) years. Terms of each Board position shall be staggered such that no more than two positions are renewed in any single year. Board members may serve not more than three successive terms.

   c. Three Board members representing the Wholesale Customers will be selected from persons nominated by the holders of Full Requirements and Partial Requirements Contracts and sorted into three categories based on utility size, calculated by ERUs. The selected categories will be small, medium and large utilities, which will be made up from approximately equal numbers of contract holders. Each category of utility may elect, by majority vote (one vote per utility) its representative to the Operating Board.

   d. The initial Operating Board will be created when there are at least six (6) signatories to the Full and Partial Requirements Contracts or January 1, 2002, whichever comes first. The initial Board will then be recomposed pursuant to the above subsection on January 1, 2002 and every 5 years thereafter.

   e. The seventh member of the Board shall be a person having expertise in the operations of regional water supply systems. Such person shall be selected by majority vote of the other Board members. In the event of a deadlock in selecting the independent representative, the independent board member shall be selected by Judicial Arbitration and Mediation Services Inc., of Seattle, Washington or its successor. The seventh member shall not vote on issues coming before the Board unless there is a deadlock in the voting among the other six Board members. The seventh member may nevertheless express his or her opinions in Operating Board discussions. Such member shall have no employment, financial or contractual relationship with Seattle nor any Wholesale Customer and shall have no other actual or apparent conflict of interest in holding this position.

2. Voting Except as otherwise provided above, each member of the Board shall have one vote on all matters coming before the Board. Each Board member may appoint an alternate to vote in his or her absence. A quorum of four (4) Board members present shall be required for any vote. Members of the Board may not grant proxies for any vote.

3. Chairperson The Board shall have a Chairperson who will be selected and have duties as defined below:

   a. The Chairperson shall be selected at the first regularly scheduled meeting of each new year.

   b. For the initial year, a designated representative of SPU shall be the Chairperson of the Board. All Chairpersons thereafter shall be selected by the Board using a nomination and voting process.

   c. Nominations for the position of Chairperson shall be taken from Board members. The Chairperson shall be selected based upon the simple majority vote of Board members. Should the Board fail to elect a Chairperson at the first regularly scheduled meeting of the new year, a designated representative from SPU shall be the acting Chairperson until such time as the Board elects a Chairperson.

   d. The Chairperson shall have the responsibility to call meetings, determine the agenda and preside over meetings. In the absence of the Chairperson, for whatever reason, a designated representative from SPU shall be the Acting Chairperson for that meeting. The Chairperson shall also act as the spokesperson for the Board and liaison between the Administrator and the Seattle City Council's Committee on Water Resources and Public Health or successor committees.

4. Schedule / Procedures. The Board shall adopt a regular meeting schedule and notify all Wholesale Customers of the schedule. The Operating Board may adopt its own internal procedures. The latest edition of Roberts Rules of Order shall, in the absence of agreement by the Operating Board on procedural matters, govern all meetings and votes of the Operating Board.

5. Reporting. The Board will provide reports to the Wholesale Customers and to the Seattle City Council Committee on Water Resources, or successor City Council committee, on its decisions and recommendations in a timely manner.

6. Responsibilities and Authority of the Board. The Contract Authority Matrix, attached as Exhibit V, provides an outline of the responsibilities and authority of the Board for illustration purposes only. It also provides details of the relationship between the Operating Board, the Seattle City Council, and the Seattle Public Utilities. Where no clear responsibility or authority on an issue is established in this contract the responsibility and authority shall rest with the Seattle City Council.

7. Expenses. The Board shall be authorized to incur reasonable expenses which will be allocated by the Board to either or both of the New Transmission or Supply Cost Pools.

EXHIBIT V

CONTRACT AUTHORITY MATRIX

	SPU ADMINISTRATOR	OPERATING BOARD	COUNCIL
CONTRACT Terms & conditions (amendments)	Implements	Recommends	Authorizes
OPERATING **BOARD** Structure & responsibilities	Recommends	Recommends	Authorizes
FINANCIAL Cost allocation structure	Recommends	Reviews & Recommends	Authorizes
Wholesale Rates	Develops & Implements	Review & Recommends	Authorizes
New Financial Policies	Develops & Implements	Reviews & Recommends	Authorizes
Purchase and disposal of regional property	Recommends	Recommends	Authorizes
Allocation of new regional projects costs	Recommends	Authorizes	Reviews
Issuance of Bonds	Implements	-	Authorizes
Regional Budget	Develops & Implements	Reviews & Recommends	Authorizes
Selection of vendors, consultants & contractors (for regional projects)	Authorizes	Recommends	-
Regional CIP	Develops & Implements	Recommends	Authorizes

	SPU ADMINISTRATOR	OPERATING BOARD	COUNCIL
SUPPLY Yield Analysis	Develops	Reviews	Reviews
Selections of new sources	Recommends	Recommends	Authorizes
New source criteria	Implements	Authorizes	Reviews
New supply cost allocation	Develops & Implements	Authorizes	Reviews
Allocation of supply to new customers	Recommends	Recommends	Authorizes
Reserves	Develops & Implements	Authorizes	Reviews
Allocation of block sales quantities	Implements	Recommends	Authorizes
Water Shortage Contingency Plan	Implements	Develops & Recommends	Authorizes
WATER CONSERVATION 1% Program	Develops & Implements	Reviews	Reviews and Approves
New Goals	Implements	Develops & Authorizes	Reviews
Incentive & disincentive programs	Implements	Develops & Authorizes	Reviews
Conservation Potential Assessment	Develops & Approves	Reviews	Reviews

	SPU ADMINISTRATOR	OPERATING BOARD	COUNCIL
WATER QUALITY Monitoring responsibility	Develops & Approves	Reviews	Reviews
Selection of new treatment techniques	Reviews & Implements	Recommends	Authorizes
New treatment cost allocation	Recommends & Implements	Authorizes	Reviews
New treatment regulations	Reviews & Implements	Reviews	Reviews
Flushing allowances	Reviews	Authorizes	Reviews
Solutions to identified regional water quality deficiencies	Recommends & Implements	Recommends	Authorizes
REGIONAL INFRASTRUCTURE Operation of System	Implements	Recommends	Authorizes
Access to transmission	Recommends	Recommends	Authorizes
Allocation of excess capacity	Recommends & Implements	Recommends	Authorizes
Transmission capacity cost allocation	Recommends & Implements	Authorizes	Reviews
New regional infrastructure	Recommends	Authorizes	Authorizes
New regional project cost allocation	Recommends	Authorizes	Reviews
Wheeling	Recommends	Recommends	Authorizes
Wheeling cost	Develops & Implements	Reviews & Recommends	Authorizes

Regional CIP prioritization	Develops & Recommends	Reviews & Recommends	Authorizes

	SPU ADMINISTRATOR	OPERATING BOARD	COUNCIL
OPERATIONS & MAINTENANCE			
Best Management Practices	Recommends & Implements	Develops & Approves	Reviews
Demand Forecast	Develops & Approves	Reviews	Reviews
Reliability standard	Develops & Recommends	Reviews & Recommends	Authorizes
REGIONAL ISSUES			
CPS Water Suppliers Forum	Represents	-	Reviews
Tacoma Second Supply Project	Represents	Recommends	Represents
HCP's	Represents	Recommends	Authorizes
Regional conservation organizations	Represents	Recommends	Authorizes

EXHIBIT VI

Calculation of ERUs as a Part Of Facilities Charges

The ERU Fee is:

- the flat debt service payment required to finance the facility providing the ERU over the lesser of (i) the facility life or (ii) the period over which new demand will fully utilize the facility's supply

- divided by -

- the number of new ERU's of demand expected in each year.

Seattle's Average Cost of Debt shall be used as the interest rate in this calculation. In the event that several new supply facilities are added simultaneously, the facilities may be considered together as providing a total new supply capacity for a total construction cost.

Example: A new facility costing $100 million is built with a capacity of 100,000 ERUs. Growth of 5,000 ERU's per year is expected over the next 20 years, so the facility is projected to be supplying its full capacity in 20 years. Were this facility financed over 20 years at 6% interest, the flat annual debt service payment would be $8.7 million. Each ERU would cost 0.02% of this annual amount, or about $1,740.

At the time a new supply facility is added, the ERU price for this supply shall be calculated. This ERU price shall then be averaged with the then-current ERU Fee. This average shall be weighted by the number of unpurchased ERUs available at the then-current ERU fee and the number of new ERUs being added at the new ERU price. This weighted average shall be the new ERU Fee, and the number of ERUs available at the fee shall be the sum of the unsold ERUs at the previous fee and the ERU capacity of the new facility.

Example: 10 years ago, a $100 million facility was constructed that can supply 100,000 ERU's. Growth and demand projections have proven accurate, and now 50,000 ERUs have been purchased, each for $1,740. The facility also has an additional 50,000 ERU's still available at the same price. This year, we construct a facility worth $70 million, with a capacity of 40,000 ERU's. Based on demand projections, this facility (on it's own) would be fully utilized in 10 years, and it's ERU price is therefore $2,375. The average price of any of the 90,000 available ERU's is therefore $2,022.

EXHIBIT VI

ERUs by Connection Size

Connection Size	Number of ERUs
¾" and smaller	1
1"	2
1 1/2"	5
2"	8
3"	22
4"	31
6"	66
8"	112
10"	169
12"	238

ERU Proving Methodology

The size of the water service connection used to serve an establishment depends upon both the total demand of that establishment and the instantaneous flow required by that establishment. For this reason, connection size is only a general indicator of the annual demand placed on water supplies by the establishment.

EXHIBIT VII

List of Seattle Supply System Facilities

1. **Cedar Source**
   - All roads, buildings, structures, water supply facilities, recreational and educational facilities, and fisheries enhancement and mitigation facilities located within or close to the Cedar River Hydrographic Watershed boundary as defined by Seattle land ownership, including the land itself, and any capitalized studies related to the above. Excepted are facilities solely owned by Seattle City Light for the purpose of power generation. Facilities shared by Seattle City Light and Seattle Public Utilities shall be part of the Seattle Supply System only to the extent of SPU share or responsibility.
   - All facilities located within the Lake Youngs Reservation as defined by Seattle ownership of the land except for conveyance facilities used to transport finished water during non-emergency operation
   - All facilities located within the Lake Youngs Aqueduct, the Landsburg Tunnel, and the Lake Youngs Supply Lines right-of-way, including the right-of-way itself
   - Existing Morse Lake Floating Pump Stations

2. **Tolt Source**
   - All roads, buildings, structures, water supply facilities, recreational and educational facilities, and fisheries enhancement and mitigation facilities located within or close to the South Fork Tolt River Hydrographic Watershed boundary as defined by Seattle land ownership, including the land itself, and any capitalized studies related to the above. Excepted are facilities solely owned by Seattle City Light for the purpose of power generation. Facilities shared by Seattle City Light and Seattle Public Utilities shall be part of the Seattle Supply System only to the extent of SPU share or responsibility.
   - Tolt Treatment Facility

3. **Highline Wellfield**
   - Riverton Wells, including all pumping and treatment equipment, original yard piping, to the connection to CRPL4, and the low flow piping to Riverton Reservoir
   - Boulevard Well, including all pumping and treatment equipment, and all piping up to the connection to CRPL4

4. **Other**
   - Water Reuse Program
   - One Percent Conservation Program through December 31, 2001
   - Commercial Incentive Program
   - Commercial Toilet Retrofit Program
   - Showerhead retrofit Program
   - The Seattle Forecasting Model (SEAFM Model)

- GIS Projects related to facilities identified herein as part of the Seattle Supply System

EXHIBIT VIII

List of Seattle Transmission Facilities

1. Pipelines
   - Tolt Pipeline No. 1 from the Tolt Regulating Basin to Lake Forest Reservoir, including any transfer and ancillary small diameter parallel pipes
   - Tolt Pipeline No. 2 (where constructed), including any transfer and ancillary small diameter parallel pipes
   - Tolt Tieline
   - Tolt Eastside Supply Line (from TESS Junction to the intersection of SE 16th ST and 145th Place SE)
   - Tolt Eastside Line Extension (from the intersection of SE 16th ST and 145th Place SE to Eastside Reservoir)
   - The 540 head Pipeline from Maple Leaf Reservoir to Lake Forest Reservoir
   - Lake Youngs Bypass No. 4 from the outlet of each of the Cedar Treatment Facility clearwells to Control Works
   - Lake Youngs Bypass No. 5 from the outlet of each of the Cedar Treatment Facility clearwells to the Lake Youngs Tunnel
   - The Lake Youngs Tunnel (from the original lake outlet to Control Works)
   - The Maple Leaf Pipeline (from the intersection of 18th Avenue E. and E. Prospect Street to Maple Leaf Reservoir)
   - Cedar River Pipeline No. 1 from Control Works to Volunteer Reservoir
   - Cedar River Pipeline No. 2 from Control Works to Lincoln Reservoir
   - Cedar River Pipeline No. 3 from Control Works to the intersection of 18th Avenue E. and E. Prospect Street
   - 30" intertie between Cedar River Pipelines 2 and 3 in east Olive Street
   - Cedar River Pipeline No. 4 from Control Works to the West Seattle Pipeline
   - Cedar Eastside Supply Line (from the Cedar Wye to the intersection of SE 16th St and 145th Place SE)
   - West Seattle Pipeline from Augusta Gatehouse to Cedar River Pipeline 4
   - The 8th Avenue S. Pipeline between S. 146th Street and S. 160th Street
   - The Bow Lake Pipeline (between 8th Avenue S. and CRPL 4, and as relocated outside runways at Seatac Airport)
   - The Burien Feeder (in S. 146th Street between 8th Avenue S. and CRPL 4)
   - The Fairwood Line (between Fairwood Pump Station and Soos Reservoirs)
   - The 24-inch discharge pipeline of Lake Youngs Pump Station up to Soos Reservoirs
   - The 12-inch discharge pipeline of Lake Youngs Pump Station up to Soos Reservoirs
   - The 630 head pipeline between Lake Youngs Pump Station and the Cedar River WSD pump station at the eastern boundary of the Lake Youngs Reservation

2. Reservoirs, Tanks, and Standpipes, including overflow pipes, all valves, appurtenances, and disinfection facility located on the premises of each storage facility, unless otherwise noted

- Lake Forest Reservoir
- Eastside Reservoir
- Riverton Reservoir
- Maple Leaf Reservoir (excluding Roosevelt Way Pump Station and its suction and discharge piping, Maple Leaf Tank and 520 zone piping, except where solely serving the disinfection facility)
- Soos Reservoirs

3. Pump Stations, Major Valve Structures, and other Facilities

- Eastgate Pump Station
- TESS Junction Pump Station
- Lake Hills Pump Station
- Maplewood Pump Station
- Maple Leaf Pump Station
- Bothell Way Pump Station
- Fairwood Pump Station
- Lake Youngs Pump Station
- The Control Works
- Augusta Gatehouse

Purveyor tap and meter installations shall not be part of the Regional Transmission System. The cost of improvements to such installations shall be borne by the purveyor served by the installation regardless of the cause for the improvements provided that such cause is consistent with AWWA and safety standards and practices.

The facilities include the appurtenance of these transmission facilities including but not limited to rights of way, line valves, system meters and remote automation devices.

EXHIBIT IX

Cost Centers Used for Operations Cost Indices

The following costs centers or successor cost centers that capture the direct costs of operation of Existing Supply Facilities, Existing Transmission Facilities and the 1% Program shall be used as the indices for operations cost in the Existing Supply Cost Pool, Existing Transmission Cost Pool and for the 1% Program in the New Supply Cost Pool.

Supply

Program	Project	Project Name	Activity
Communications	N1203	Communications Activity Group	N120304 Purveyor Relations
Audit & Accounting	N3303	Customer Audit	N330303 Purveyor Audit
Watershed Management	N5401	Program Management	N540194 Department Support
Watershed Management	N5401	Program Management	N540195 General Expense
Watershed Management	N5401	Program Management	N540196 General Management
Watershed Management	N5401	Program Management	N540197 Training
Watershed Management	N5401	Program Management	N540198 Safety
Watershed Management	N5401	Program Management	N540199 Personnel
Watershed Management	N5401	Program Management	N540289 Capital Purchase
Watershed Management	N5403	Support Services	N540301 Modified Duty
Watershed Management	N5403	Support Services	N540302 Procuring/Paying/Receiving
Watershed Management	N5403	Support Services	N540303 Vehicle Equipment Downtime
Watershed Management	N5404	Watershed Protection	N540401 Hydrological Data Collection
Watershed Management	N5404	Watershed Protection	N540402 Fire Protection
Watershed Management	N5404	Watershed Protection	N540403 Inspection
Watershed Management	N5404	Watershed Protection	N540404 Boundaries
Watershed Management	N5405	Facility Management	N540501 WS Grounds
Watershed Management	N5405	Facility Management	N540502 WS Buildings
Watershed Management	N5405	Facility Management	N540503 WS Facilities & Roads
Watershed Management	N5406	Watershed Road Maintenance	N540601 Grade/Gravel/Ditching
Watershed Management	N5406	Watershed Road Maintenance	N540602 Bridges/Streams Culvert
Watershed Management	N5406	Watershed Road Maintenance	N540603 Roads/Row/Vegetation Cutting
Watershed Management	N5406	Watershed Road Maintenance	N540604 Tolt Roads & Streams
Watershed Management	N5407	Watershed Operations Support	N540701 Veh/Equipment Management
Watershed Management	N5407	Watershed Operations Support	N540702 Veh/Equip/Tool Repair
Watershed Management	N5408	Water Quality & Hydrology	N540801 Water Quality Monitoring
Watershed Management	N5408	Water Quality & Hydrology	N540802 Hydrological Monitoring
Watershed Management	N5409	Public/Cultural Programs	N540901 Recreation Planning
Watershed Management	N5409	Public/Cultural Programs	N540902 Management & Research
Watershed Management	N5409	Public/Cultural Programs	N540903 Watershed Education
Watershed Management	N5409	Public/Cultural Programs	N540904 Watershed Public Information
Watershed Management	N5410	Wildlife & Fisheries Programs	N541001 Program Planning & Evaluation
Watershed Management	N5410	Wildlife & Fisheries Programs	N541002 Interagency/Public Involvement
Watershed Management	N5410	Wildlife & Fisheries Programs	N541003 Ecological Monitoring & Research
Watershed Management	N5410	Wildlife & Fisheries Programs	N541004 Habitat & Species Inventory
Watershed Management	N5410	Wildlife & Fisheries Programs	N541005 Habitat Enhancement/Restoration

Watershed Management	N5411	Resource Information Mgmt	N541101 Program Plan/Evaluation
Watershed Management	N5411	Resource Information Mgmt	N541102 Information Maintenance
Watershed Management	N5411	Resource Information Mgmt	N541103 Information Services
Watershed Management	N5412	Special Projects	N541202 Silviculture
Watershed Management	N5412	Special Projects	N541205 Land Exchanges/Acquisitions
Watershed Management	N5415	Cedar HCP	N541501 ASSESS OF EXPAND FOREST STAND
Watershed Management	N5415	Cedar HCP	N541502 ASSESS EXPAND FOREST ATTRIBUTE
Watershed Management	N5415	Cedar HCP	N541503 AUGMENT FOREST HABITAT IN
Watershed Management	N5415	Cedar HCP	N541504 LONG-TERM FOREST HABITAT
Watershed Management	N5415	Cedar HCP	N541505 OLD-GROWTH CLASSIFICATIO
Watershed Management	N5415	Cedar HCP	N541506 RIPARIAN RESTOR PROJECT MONIT
Watershed Management	N5415	Cedar HCP	N541507 UP0LAND FOREST RESTOR PRO MONT
Watershed Management	N5415	Cedar HCP	N541515 GIS DATA COMPATIBILITY STUDY
Watershed Management	N5415	Cedar HCP	N541516 FOREST HABITAT MODELING
Watershed Management	N5415	Cedar HCP	N541517 SPECIE HABITAT RELATION MODEL
Watershed Management	N5416	Cedar HCP	N541601 CRHCP GIS SUPPORT
Watershed Management	N5416	Cedar HCP	N541603 CRHCP TECHNICAL SUPPORT
Watershed Management	N5417	Cedar HCP	N541701 ROAD MAINTENANCE
Watershed Management	N5418	Cedar HCP	N541801 EXPERIMENTAL STREAM MONITORING
Watershed Management	N5418	Cedar HCP	N541802 LONG-TERM STREAM MONITORING
Watershed Management	N5418	Cedar HCP	N541803 AQUATIC RESTORATION MONITORING
Watershed Management	N5418	Cedar HCP	N541804 BULL TROUT SURVEYS (ADULT
Watershed Management	N5418	Cedar HCP	N541805 BULL TROUT SPAWNING SURV
Watershed Management	N5418	Cedar HCP	N541806 BULL TROUT FRY/JUVENILE SURVEY
Watershed Management	N5418	Cedar HCP	Riparian Zone Studies
Watershed Management	N5418	Cedar HCP	N541809 BULL TROUT STREAM DISTRIBUTION
Watershed Management	N5418	Cedar HCP	N541810 BULL TROUT REDD INUNDATIO STU
Watershed Management	N5418	Cedar HCP	N541811 COMMON LOON MONITORING
Water Quality & Supply	N5503	Water System Operations	N550301 Water Management
Water Quality & Supply	N5503	Water System Operations	N550302 Water System Control
Water Quality & Supply	N5503	Water System Operations	N550303 Anadromous Fishery Mgmt
Water Quality & Supply	N5503	Water System Operations	N550304 SCADA Management
Water Quality & Supply	N5503	Water System Operations	N550305 Highline Well Field
Water Quality & Supply	N5503	Water System Operations	N550306 Morse Lake PS
Water Quality & Supply	N5503	Water System Operations	N550307-SAFETY PROCESS MGMT COMPLIANCE
Water Quality & Supply	N5503	Water System Operations	N550308-EPA RISK MGMT COMPLIANCE
Water Quality & Supply	N5504	Water System Analysis	N550401 Eng Analysis/Modeling
Water Quality & Supply	N5504	Water System Analysis	N550402 Water Rights Mgmt

Water Quality & Supply	N5504	Water System Analysis	N550403 DEMAND METERING
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550501 Monitoring, Reporting & Admin
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550502 Cholrination Facilities O&M
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550503 Watershed Management
Water Quality & Supply	N5506	Total Coliform Rule Compl.	N550601 Monitoring, Reporting & Admin
Water Quality & Supply	N5508	Lead & Copper Rule Compl.	N550801 Monitoring, Reporting & Admin
Water Quality & Supply	N5508	Lead & Copper Rule Compl.	N550802 Corrosion Trtmnt Facil O&M
Water Quality & Supply	N5509	Fluoridation Program	N550901 Fluoridation Program O&M
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551001 Otr Reg/Operational Analysis
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551002 Disinfection By-Product Rule
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551003 Limnology
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551005 WQ Lab
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551006 DW Reg Dev & App Research
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551007 Public Information/Notification
Water Quality & Supply	N5511	Special Projects	N551104 LIMS & QA/QC
Water Quality & Supply	N5512	Cedar HCP	N551201 INTERIM CHINOOK COHO
Water Quality & Supply	N5513	Cedar HCP	N551301 HCP STREAMFLOW GAUGING
Water Quality & Supply	N5513	Cedar HCP	N551302 SWITCHING CRITERIA STUDY
Water Quality & Supply	N5513	Cedar HCP	N551303 STEELHEAD REDD MONITORIN
Water Quality & Supply	N5513	Cedar HCP	N551304 CHINOOK STUDIES
Water Quality & Supply	N5513	Cedar HCP	Salmonid Studies
Water Quality & Supply	N5514	WQ Monitoring	N551403 DRINKING WATER QUALITY MONITOR
Water Quality & Supply	N5515	HCP Fisheries	N551501 FRY CONDITION AT RELEASE
Water Quality & Supply	N5515	HCP Fisheries	N551502 FRY MARKING & EVALUATION
Water Quality & Supply	N5515	HCP Fisheries	N551503 FRY TRAPPING & COUNTING
Water Quality & Supply	N5515	HCP Fisheries	N551504 FISH HEALTH
Water Quality & Supply	N5515	HCP Fisheries	N551505 SHORT-TERM FRY REARING
Water Quality & Supply	N5515	HCP Fisheries	N551506 LAKE WASHINGTON PLANKTO STUDY
Water Quality & Supply	N5515	HCP Fisheries	N551508 ADULT SURVIVAL DISTRIBUTI
Water Quality & Supply	N5515	HCP Fisheries	N551509 PHENOTYPIC & GENETIC STUD
Water Quality & Supply	N5516	Tolt DBO	N551601-CONTRACTOR PAYMENTS
Water Quality & Supply	N5516	Tolt DBO	N551603-MANAGEMENT COSTS
Resource Planning	N5609	Water Resource & Habitat Issues	N560903-ESA

Transmission

Program	Project	Project Name	Activity
Water Operation	N6540	WT - Headwork/Storage	N654001 Program Maintenance
Water Operation	N6540	WT - Headwork/Storage	N654002 Event Driven Repairs
Water Operation	N6541	WT - Transmission Pipeline Maint	N654101 Program Maintenance
Water Operation	N6541	WT - Transmission Pipeline Maint	N654102 Event Driven Repairs
Water Operation	N6542	WT - Value Op/Maint - Water Tran	N654201 Program Maintenance
Water Operation	N6542	WT - Value Op/Maint - Water Tran	N654202 Event Driven Repairs
Water Operation	N6543	WT - Grounds/Roads/ROW	N654301 Grade/gravel roads - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654302 Grade/gravel roads - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654303 Bridges/culverts - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654304 Bridges/culverts - E

Water Operation	N6543	WT - Grounds/Roads/ROW	N654305 Fences/gates - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654306 Fences/gates - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654307 Mow ROW - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654308 Mow ROW - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654309 Mow Other
Water Operation	N6544	WT - Facility Maintenance	N654401 Program Maintenance
Water Operation	N6544	WT - Facility Maintenance	N654402 Event Driven Repairs
Water Operation	N6545	WT - Castings	N654501 Casting Adjustments
Water Operation	N6546	WT - Customer Services	N654601 Communications/Dispatch
Water Operation	N6546	WT - Customer Services	N654602 Locating/Marking
Water Operation	N6547	WT - Damage by Others	N654701 P/L/ROW/Facility
Water Operation	N6548	WT - Transmission Shops	N654801 Shops/Fabrication
Water Operation	N6549	WT - General Expenses	N654905 Tools/small equipment
Water Operation	N6549	WT - General Expenses	N654906 Standy
Water Operation	N6549	WT - General Expenses	N654907 Truck Inventory
Water Operation	N6549	WT - General Expenses	N654908 Downtime - Job Related
Water Operation	N6549	WT - General Expenses	N654909-DISASTER-EMERG RESPONSE

1% Program

Program	Project	Project Name	Activity
Community Services	N5303	Resource Conservation	N530301 1% Conservation

ORIGINAL

FILED NO. 10482
CITY OF BELLEVUE
DATE 7/9/85
CITY CLERK
O-Council
Res. 4577

AGREEMENT

THIS AGREEMENT, entered into this day between Water District No. 107, a municipal corporation organized under the laws of the State of Washington, hereinafter referred to as "District", and the City of Bellevue, Washington, a non-charter code city, hereinafter referred to as "City" for mutual benefits to be derived by the parties as set forth hereinafter, now, therefore,

WHEREAS, the District and the City are authorized by Chapter 39.34 RCW, the Interlocal Cooperation Act, to enter into cooperative agreements; and

WHEREAS, the area of 130th Avenue S.E. from S.E. 49th Street north to Newport Way including streets east and west of 130th Avenue S.E., described in Attachment "A" (attached hereto and by this reference incorporated herein) are served by the District's water system; and

WHEREAS, the District is desirous to make connection to the existing City water system for additional water flow for emergency purposes;

NOW, THEREFORE, in consideration of the agreements herein contained, it is agreed as follows:

Section 1. The District requires additional water flow to an area lying between Coal Creek Parkway on the south and west, Newport Way on the north and the City of Bellevue Corporate limits on the east for the purpose of supplying adequate fire protection (See Attachment A).

The respective parties hereto have met and determined that the needed additional water supply can be obtained through connection with the City of Bellevue water system. The City therefore agrees to allow

the District an emergency standby source of water through connection at the end of the existing City pipeline on S.E. 49th Street. This connection will be in the form of an emergency standby connection and water shall only be drawn through this point when an emergency occurs.

An emergency shall be considered any event that causes the District's water pressure to drop below 30 psi as a result of fire flow or breakage or failure of a downstream pipe providing one way flow to this area.

The detailed design of the intertie connection shall be accomplished by the District and shall be subject to approval by the City. The design shall include as a minimum the following features: pressure sustaining control so not to draw down pressure in the City system; pressure reducing control so not to over pressure the District's system; controls to preclude the District drawing water except under emergency conditions; a detector check valve and small meter to monitor water usage; and a one way check valve to insure water does not flow from the District's system to the City's system.

Section 2. The City shall supply the District the emergency source of water described in Section 1 for the portion of the District described in Attachment A. The District shall make monthly payment to the City for a 6-inch standby connection at the same rate the City charges to other users and customers.

Section 3. Construction of Facilities. The District will construct said improvements at no cost to the City. Final acceptance of the construction for the intertie connection shall require concurrence of both parties.

Section 4. Operation and Maintenance. Both the City and District

shall have full access to the intertie control vault, however, maintenance or repair will be by the District. If for any reason the City finds this facility needs maintenance or is not operating properly, the City shall notify the District and the District will immediately correct the problem. If the District fails to do so or fails to make arrangements to do so within three (3) days of written notice the City may at its option, correct the problem and bill the District for its reasonable costs to resolve the problem.

Section 5. Hold Harmless. The District shall hold the City and its officers, agents and employees, harmless from all suits, claims or liabilities including attorneys' fees, costs and expenses, for or on account of injuries or damages sustained by any persons or property resulting from the negligent acts or omissions of the District with regard to the operation, maintenance or repair of the facility or in any way resulting from the provision by the City of the emergency water service provided by this agreement and if a suit in respect to the above be filed, the District shall appear and defend the same at its own cost and expense, and if judgment be rendered or settlement made regarding payment of damages by the City, which damages are based in whole or in part on the negligent acts or omissions of the District, its agents, contractors, or employees, the District shall pay the same.

Section 6. Extent of Agreement/Modification. This Agreement, together with Attachment A, represents the entire and integrated Agreement between the parties hereto and supersedes all prior negotiations, representations, or agreements, either written or oral. This Agreement may be amended, modified or added to only by written instrument properly signed by both parties hereto.

Section 7. This Agreement shall be filed with the Bellevue City Clerk, the King County Auditor and the Secretary of State.

This Agreement signed this 14 day of AUG, 1985.

WATER DISTRICT No. 107

By _____

This Agreement signed this 15th day of July, 1985.

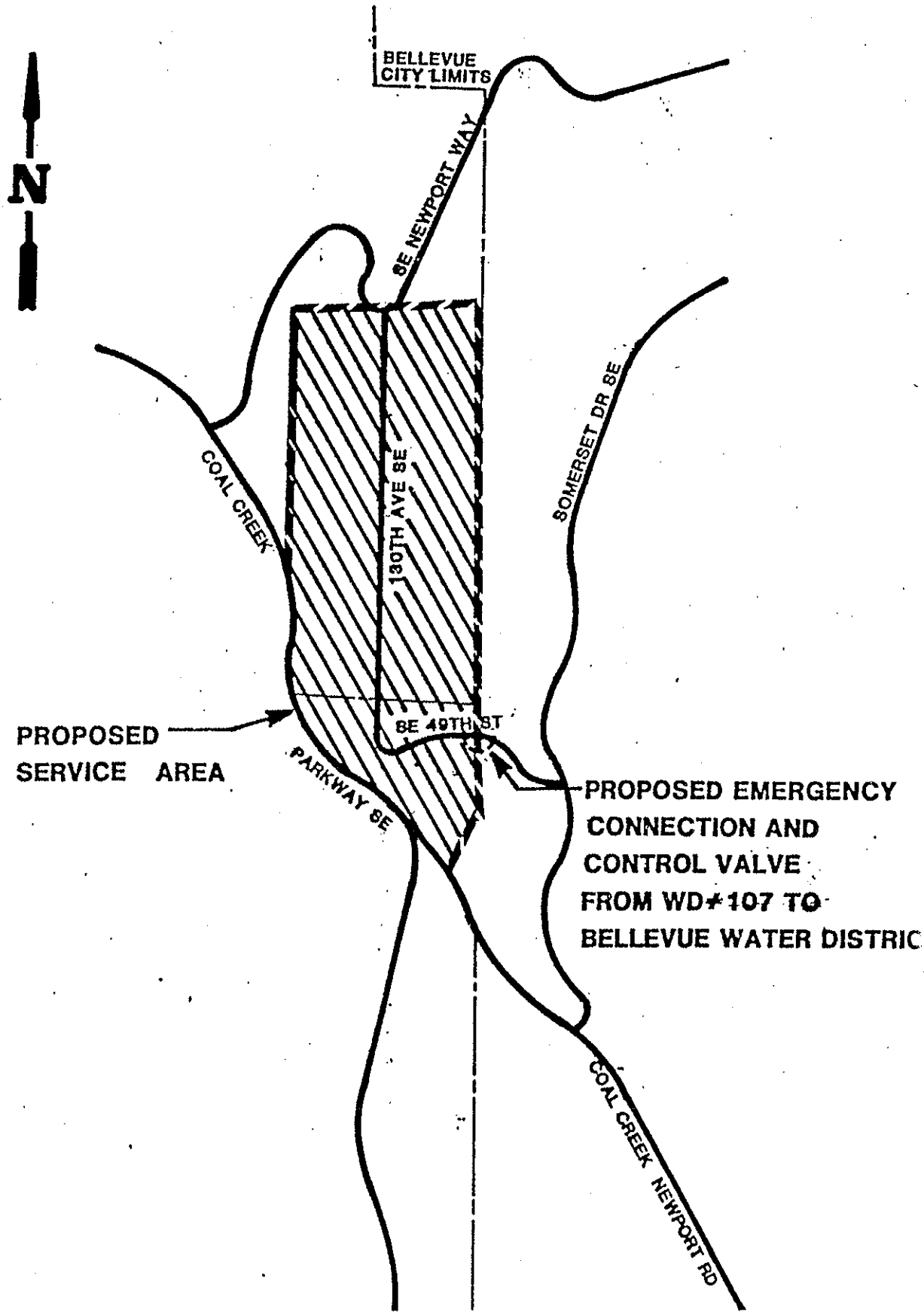
CITY OF BELLEVUE

By _____

Approved as to form:

_____

Assistant City Attorney


N
BELLEVUE CITY LIMITS
SE NEWPORT WAY
COAL CREEK
130TH AVE SE
SOMERSET DR SE
SE 49TH ST
PROPOSED SERVICE AREA
PARKWAY SE
PROPOSED EMERGENCY CONNECTION AND CONTROL VALVE FROM WD#107 TO BELLEVUE WATER DISTRIC
COAL CREEK NEWPORT RD

Hilltop Community, Inc.

(Water District #117)

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ORIGINAL

2654-RES
05/17/12

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8402

A RESOLUTION authorizing the execution of an Agreement Relating to Water System Intertie, and an Interlocal Agreement regarding Non-Assumption, both with King County Water District 117, addressing coordination between the City of Bellevue and Water District 117.

THE CITY COUNCIL OF THE CITY OF BELLEVUE WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is authorized to execute an Agreement Relating to Water System Intertie with Water District 117 addressing the use of an intertie between the District and City water facilities, a copy of which Agreement has been given Clerk's Receiving No. 48908.

Section 2. The City Manager or his designee is authorized to execute an Interlocal Agreement regarding Non-Assumption with Water District 117 addressing issues of coordination between the District and the City of Bellevue in the event that the District's service area is annexed into the City, a copy of which Interlocal Agreement has been given Clerk's Receiving No. 48909.

Section 3. The authority provided in Section 2 shall be null and void and of no further force and effect if the Hilltop annexation area is not annexed into the City of Bellevue by August 1, 2012.

Passed by the City Council this 21st day of May, 2012, and signed in authentication of its passage this 21st day of May, 2012.

(SEAL)

Conrad Lee, Mayor

Attest:

Myrna L. Basich, City Clerk

Item No. 11(c)(2)
May 21, 2012

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution No. 8402 authorizing and directing execution of an Emergency Intertie Agreement and an Interlocal Agreement regarding Non-Assumption, both with King County Water District 117, addressing coordination between the City of Bellevue and Water District 117.

FISCAL IMPACT

The emergency intertie agreement formalizes conditions for use of the intertie and for the first time sets up a cost recovery rate deemed appropriate by the Utility for the use of city water.

The non-assumption agreement clarifies that the City does not plan to incur the costs and service obligations of providing water to Hilltop in the event of annexation.

STAFF CONTACTS

Chris Salomone, Director, 452-6191
Dan Stroh, Planning Director, 452-5255
Nicholas Matz AICP, Senior Planner, 452-5371
Department of Planning and Community Development

POLICY CONSIDERATION

Should Bellevue enter into an emergency intertie agreement and a non-assumption interlocal agreement with WD 117?

An agreement regarding the existing emergency intertie is needed with or without annexation. The non-assumption agreement responds to interests expressed by WD 117 and Hilltop residents, who wish to remain with their existing water source and water distribution structure following annexation.

BACKGROUND

In previous Council meetings on February 13, March 19, April 16, May 7, and May 14 staff presented updates on annexation discussions with Hilltop. These updates focused on the development of draft agreements affecting the Hilltop area: agreements with Water District 117, the public water district that provides water service exclusively for Hilltop (and subject of this agenda memo) and a pre-annexation agreement with HCI (subject of a separate agenda memo tonight).

<u>Summary of Provisions in the Interlocal Non-assumption Agreement</u>

- The City would not assume WD 117 during the term of the agreement, unless required to do so by law or regulation, or by mutual agreement of the City and Water District;
- The Water District could request City assumption at any time, and the City could, at its sole discretion, decide whether to assume following such request;
- The initial term is 20 years, which may be extended for an additional 10 years. During the extension period, either party may terminate with a two-year notice;
- Authorization for the City to use the District's fire hydrants for fire protection upon annexation, in consideration of the City's agreement to the non-assumption terms described above; and
- Provisions addressing coordination of future public projects within the right-of-way, including the District's obligation to relocate any of these conflicting facilities, at no cost to the City.

On May 14, the Council discussed a concern that the water district be aware of the City's existing policy that requires facilities to meet City standards as a condition of assumption. This would apply if assumption were to occur for any reason in the future due to events unforeseen today, such as a change in state law that makes it infeasible for the District to continue to meet legally required drinking water standards. The Council gave direction to include this city policy in the Recitals section of the Interlocal Agreement regarding Non-Assumption. As of packet printing deadline city staff are forwarding this language to the WD 117 attorney.

Summary of Provisions in the Intertie Agreement

- Operation, maintenance and use of the intertie, and ownership of the respective system components; and
- WD 117 payment for water delivered and other costs.

Councilmember Davidson at the May 14, 2012 Study Session asked if the City were taking on additional liability if WD 117's system provides for insufficient fire flow. The diagram in Attachment 1 shows the plan which the Fire Department has deemed adequate to augment WD 117's hydrants in the event their system provides insufficient pressure for fire, which is likely to be the case for structure fires. This plan uses the COB hydrant on SE 55th Street to augment WD 117's system and provide adequate water pressure.

Timeline

Council direction to enter into these contracts now, is expected to be followed by WD 117 action on May 22, 2012. This will in turn enable the annexing community to submit sufficient direct petitions for annexation before May 24, 2012 and retain the opportunity for an effective annexation date of August 1, 2012:

- May 21 Council direction on HCI and WD 117 agreements
- May 24 sufficient Hilltop petitions received for 60% threshold
- May 31 King County Assessor certifies petition signatures
- July 16 Boundary Review Board completes review (includes 45 day notice period)
- July 16 Council public hearing and final action on Hilltop annexation
- July 31 effective date of South Bellevue annexation of Hilltop.

EFFECTIVE DATE

If approved, this Resolution becomes effective immediately upon Council adoption.

OPTIONS

1. Adopt Resolution No. 8402 authorizing and directing the City Manager to execute an Emergency Intertie Agreement and a Non-Assumption Interlocal Agreement between the City of Bellevue and WD 117.
2. Do not adopt Resolution No. 8402.

RECOMMENDATIONS

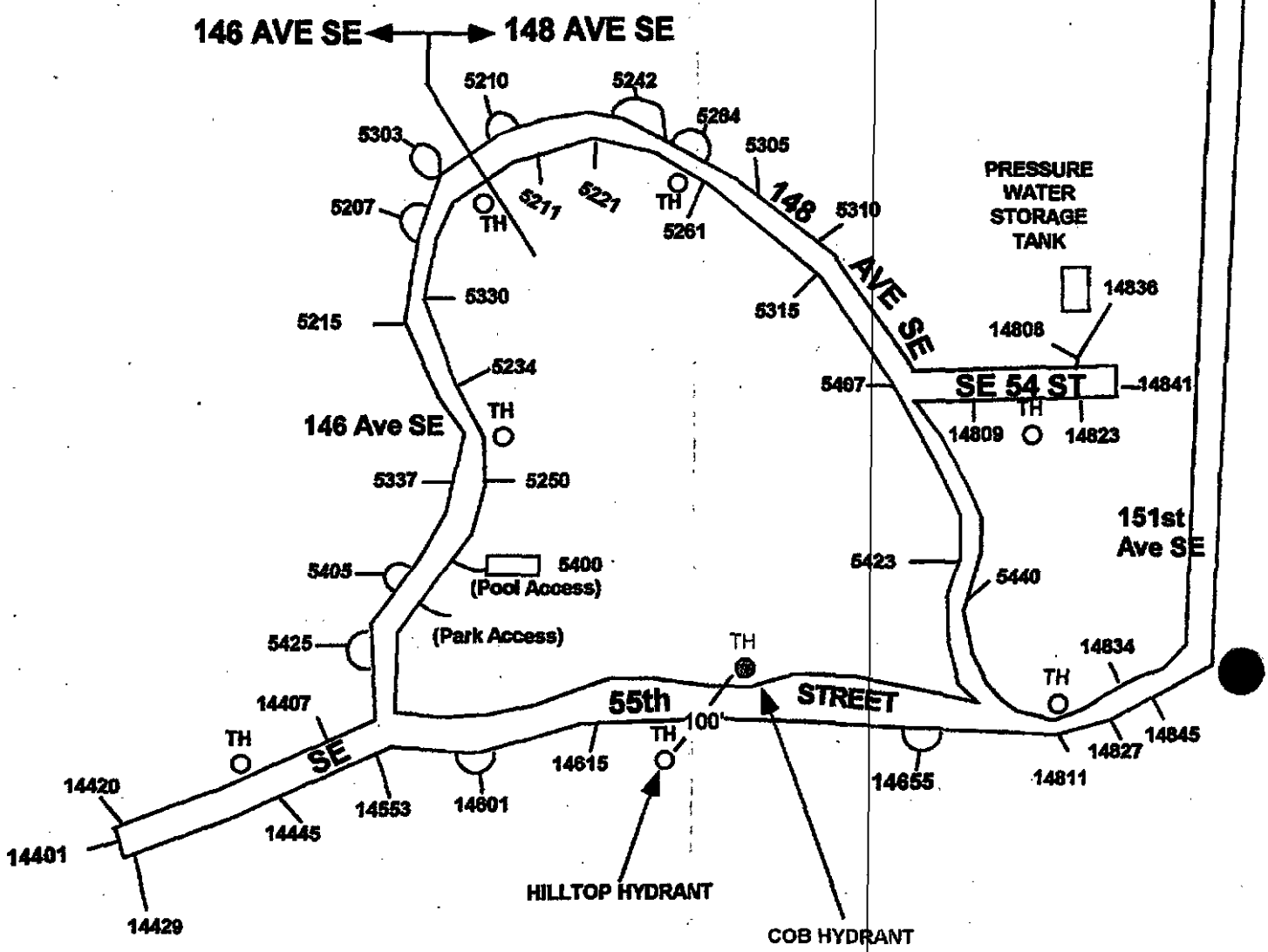
3. Adopt Resolution No. 8402 authorizing and directing the City Manager to execute a Emergency Intertie Agreement and a Non-Assumption Interlocal Agreement between the City of Bellevue and WD 117.

MOTION

4. Move to adopt Resolution No. 8402 authorizing and directing the City Manager to execute a Emergency Intertie Agreement and a Non-Assumption Interlocal Agreement between the City of Bellevue and WD 117.

ATTACHMENTS

1. Hilltop Hydrants diagram
2. Emergency Intertie Agreement between the City of Bellevue and WD 117
3. Non-Assumption Interlocal Agreement between the City of Bellevue and WD 117
4. Proposed Resolution No. 8402



If the residual pressure in the Hilltop system is insufficient for the fire, augment with COB water, as follows...

#1) Lay 4" hose between two hydrants & hook up to both steamer ports using hydrant adapters & hydrant gate
#2) Open the Hilltop Hydrant (RED) 1st, & "back charge" the 4" hose toward the COB hydrant (yellow). Use the hydrant gate on the City hydrant, to bleed off the air.
#3) After the 4" is charged, shut off the hydrant gate and open the City hydrant to charge the Hilltop system.

The Hilltop system will have a lower residual pressure during firefighting and it will be easier to open the City hydrant after the 4" is charged with water from the Hilltop side. Remember to check with the pumping engineer to confirm an increase in the residual water pressure after linking the two systems.

CR# 48908 DATE 6-21-12 LOC INTRLOC-00 GR#1210305-000

Ds 8402

AGREEMENT BETWEEN THE CITY OF BELLEVUE AND KING COUNTY WATER DISTRICT NO. 117 RELATING TO WATER SYSTEM INTERTIE

This agreement is made and entered into between King County Water District No. 117 ("District"), a group A special use purpose municipal corporation water system, with a Washington State Department of Health ID number 41980 and a non-profit corporation in the State of Washington, and the City of Bellevue ("City"), a municipal corporation located in the State of Washington.

RECITALS:

WHEREAS, the City is an optional municipal code city organized under Chapter 35A RCW; and

WHEREAS, the City owns and operates a public water system adjacent to the water system owned and operated by the District; and

WHEREAS, the District is organized under Title 57 RCW and is authorized to operate a water system within its boundaries, which boundaries are shown on **Attachment A** attached hereto and incorporated herein by this reference; and

WHEREAS, there is an existing intertie that connects the District's water system to the City's water system through a 4-inch line and manually operated valve, which is kept closed at all times except during emergencies or during certain scheduled major maintenance activities within the District's system. The approximate location of such line and valve is shown on **Attachment B** attached hereto and incorporated herein by this reference; and

WHEREAS, the existing intertie benefits only the District and the City receives no value from the intertie; and

WHEREAS, there is no agreement that specifies the conditions under which the current intertie shall be operated and maintained; and

WHEREAS, both parties agree that the intertie is intended for infrequent use during emergency situations or during certain scheduled major maintenance activities as defined in Section 2 of this Agreement; and

WHEREAS, the District affirms that it is able to meet its typical customer demands without the use of such intertie and such intertie is not intended to supplement or support the District's normal operations; and

WHEREAS, the parties acknowledge that the intertie is not a fire protection facility; and

WHEREAS, the parties further acknowledge that the City installed a fire hydrant across the street from 14615 SE 55th Street in 1990 in exchange for an easement for a City water main; and

WHEREAS, the parties further acknowledge that the City maintains this fire hydrant to assure it is in good operating condition and that the District is not required to reimburse the City for any costs related to this fire hydrant.

NOW, THEREFORE, the parties agree as follows:

1. Purpose. The purpose of this Agreement is to identify the conditions and protocols under which the existing intertie between the District's and City's water systems shall be operated and maintained.

2. Definitions. For purposes of this Agreement the following terms or statements shall be defined as:

   2.1. "Emergency" shall mean an unforeseen circumstance such as power failures, earthquakes and other acts of God resulting in a failure of the District's water system equipment or piping which necessitates transfer of water from the City's to the District's system to supply water to the District.

   2.2. "Scheduled Major Maintenance Activities within the District's system" shall mean scheduled maintenance activities of the District's wells, pumps, reservoir or supply lines that prevent the District's system from being able to supply water to their customers.

   Description of Intertie. The intertie is located at the intersection of SE 51st Street and 150th Pl. SE and consists of a 4-inch ductile iron pipe and valve that connects the City's 1175 operating zone to the Districts' 8-inch AC supply line as shown on **Attachment B**.

3. Use of Intertie: The City does not guarantee it will always be able to provide water via the intertie. There may be situation such as an emergency within Bellevue's water system that would prevent the City from supplying the intertie.

4. Ownership. The City shall maintain ownership of the valve and the 4-inch pipe located between the valve and the City's 1175 operating system as depicted on **Attachment B** (referred to generally herein as the "City's intertie facilities"). The District shall own the 4-inch pipe and connection between the City's valve and the District's supply line, also depicted on **Attachment B**.

5. Maintenance. Each party shall maintain their respective intertie facilities as described in Section 4 of this Agreement in good working order in accordance with sound maintenance procedures, good engineering practices and applicable laws, rules and regulations.
6. Operation. Operation and maintenance of the valve shall be done solely by the City. The District shall in no way attempt to operate the valve or perform any maintenance or repair associated with the valve or the City's other intertie facilities.

7. Replacement. In the event that any portions of the City's intertie facilities described in Section 4 require replacement, the City shall rebuild or replace such facilities at its sole discretion. The District may, however, request an opportunity to review and comment on any required replacement work prior to completion of the work by the City.

8. Notification, Use and Payment.

8.1. - Notification.

8.1. A. Prior to use of the intertie to deliver water from the City to the District, the District shall notify the City's Utility Operations at 425-452-7840 of the nature of the emergency or scheduled major maintenance, and its expected duration. The District shall notify the City at least 5 working days in advance of any scheduled maintenance activities.

8.1. B. The District shall notify the City within 24 hours in the event it receives notice of or becomes aware of a positive coliform sample or notice of or becomes aware of any applicable water system violation issued by the Department of Health, provided that if such notice is received on a weekend or holiday, the District shall have until 5:00 p.m. of the next business day to notify the City. Notwithstanding the foregoing, the District shall notify the City immediately in the event it becomes aware of such sample or violation in the event that the intertie is active.

8.2. - Use. Appropriate operations personnel from both the City and the District shall be present when the intertie is activated and deactivated to address any unanticipated impacts associated with the City and the District's respective systems.

8.3. - Payment for Water Delivered and other Costs. Water delivered to the District during use of the intertie shall be priced at the City's non-residential rates at the time the water is delivered. To determine the amount of water delivered through the intertie the District shall read each of their individual meters before the intertie is activated and immediately after the intertie is deactivated. The metered consumption shall be the sum of the individual meter volumes multiplied by a 1.11 factor. (The factor is to provide for unaccounted system losses of 10% of the total direct meter usage.) Until WD 117 installs individual meters, historical water use shall be used to determine the amount of water delivered through the intertie. As used in this Agreement 'historic water use' shall refer to District records showing the average

daily consumption rate for the month in question calculated from the date over the previous five-year period.

In addition to the costs associated with water delivered, the District shall also pay all costs associated with the City's activation and deactivation of the intertie, including but not limited to: time spent by City staff to activate or deactivate the intertie, and all costs required to maintain, repair or replace any intertie facilities. Costs shall include staff labor costs of direct salaries plus benefits, equipment rental, parts and supplies, contractor costs, and professional services.

8.4. – Payment for Excessive Use. Should circumstances warrant use of the intertie on a frequency greater than twice per year the District shall pay the City $2,500 per each additional activation.

9. Compliance with Laws and Regulations. Each party shall, with respect to its duties, responsibilities and operations hereunder, comply with all applicable laws, rules and regulations governing the same.

9.1 – Department of Health (DOH) Requirements. The District shall at all times be in compliance with Washington State Department of Health drinking water quality regulations, including a Cross Connection Control Program acceptable to or otherwise approved by the DOH. Compliance will be determined by reference to applicable DOH standards and is subject to the cure and remedy provisions of Paragraph 9.3.

9.2 – Records. The District shall openly share water system records with the City if requested, provided the City pays the costs allowed by the public records act, RCW chapter 42.56 in so doing.

9.3 – Failure to Comply. If the District is determined to be in noncompliance with DOH regulations as set forth in Paragraph 9.1, at the City's determination and written notice, the District shall install a backflow assembly on the intertie to protect the City's water system. The District shall have not less than sixty (60) days to complete such work, and such period may be extended by the parties for reasonable additional periods if the District is proceeding with due diligence to complete the work and there is no risk to the City's water system. The backflow assembly shall be owned by the District upon completion, and all costs to design, construct, maintain, repair and replace the backflow assembly shall be the sole responsibility of the District. If the District's water system or water quality creates an imminent threat to the public health or safety of the City or the City's water system, the City may elect, in its sole discretion, to not activate the intertie or may close the intertie if opened until the imminent threat ceases.

10. Duration. This Agreement shall become effective upon execution (the "Effective Date"), and shall continue from the Effective Date for an initial period of twenty (20) years ("Initial Term"), unless otherwise extended or terminated in accordance with this Paragraph. Either party may renew this Agreement for one additional term of ten (10) years (the "Renewal Term") upon written notice to the other party, which written notice shall be provided no later than the end of year fifteen (15) of the Initial Term. Failure to provide such written notice in the time required shall extinguish the option to extend for the Renewal Term. Following the Initial Term of twenty (20) years and during the ten (10) year Renewal term only, either party may terminate this Agreement at any time upon providing at least two (2) years written notice to the other party; provided, however in the event of the District's breach of the requirements of Section 9 of this Agreement, after notice and the opportunity to cure provided in that Section, the City may terminate the Agreement.

11. Not a Partnership. The terms and conditions of this Agreement shall not constitute a partnership of a joint venture.

12. Indemnity. The District shall indemnify, defend and hold harmless the City and its officers, employees and agents from all costs, expenses, suits, claims damages and liabilities of any nature, including attorney's fees, for or on account of any injuries or damages to persons or to real or personal property, specifically including but not limited to District or City water customers, in any way related to the District's, its officials', employees', contractors' or agents' use, maintenance, connection, disconnection, or replacement of the intertie, including installation, if necessary by the District of a backflow device; provided, however, that nothing herein shall require the District to indemnify, defend or hold harmless the City, or its officers, employees or agents from any costs, expenses, suits, claims, damages or liabilities to the extent caused by the negligent acts or omissions of the City, its officers, employees or agents.

13. Severability. The invalidity or unenforceability of any provisions of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respect as if such invalid or unenforceable provisions were admitted.

14. Amendment. No change, amendment or modification of any provisions of the Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both parties.

15. Authorization. By signing this Agreement, each party certifies that it has the authority to bind its respective governing bodies to all of the terms and conditions of this Agreement.

16. Entire Agreement. This Agreement represents the complete agreement between the parties with respect to the subject matter hereof. Any prior written or oral representations or agreements to the contrary are of no effect.

17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. Venue for any action arising out of this Agreement shall be in King County Superior Court.

DATED this 22 day of May, 2012.

King County Water District 117

Commissioner _____

Commissioner _____

Commissioner _____

Approved as to form:

_____
Legal Counsel for Water District 117

City of Bellevue

_____ 05/22/12
Steven R. Sarkozy, City Manager

Approved as to form:
Lori M. Riordan, City Attorney

By: _____ 05/22/12
Mary Kate Berens, Deputy City Attorney

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that DOUGLAS M. BACON is the person who appeared before me, and said person acknowledged that HE signed this instrument, on oath stated that HE was authorized to execute the instrument and acknowledged it as the PRESIDENT / COMMISSIONER OF KING COUNTY WATER DISTRICT 117 to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 5/22, 2012

MARILYN BIRD
NOTARY PUBLIC
COMMISSION EXPIRES 06-15-13
STATE OF WASHINGTON

_____
(Signature)

MARILYN BIRD
(Name legibly printed or stamped)

(Seal or stamp)

Notary Public in and for the State of Washington,
residing at BELLEVUE, WA
My appointment expires 6-15-13

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that STEVEN R. SARKOZY is the person who appeared before me, and said person acknowledged that HE signed this instrument, on oath stated that HE was authorized to execute the instrument and acknowledged it as the CITY MANAGER of the CITY OF BELLEVUE to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: May 22, 2012

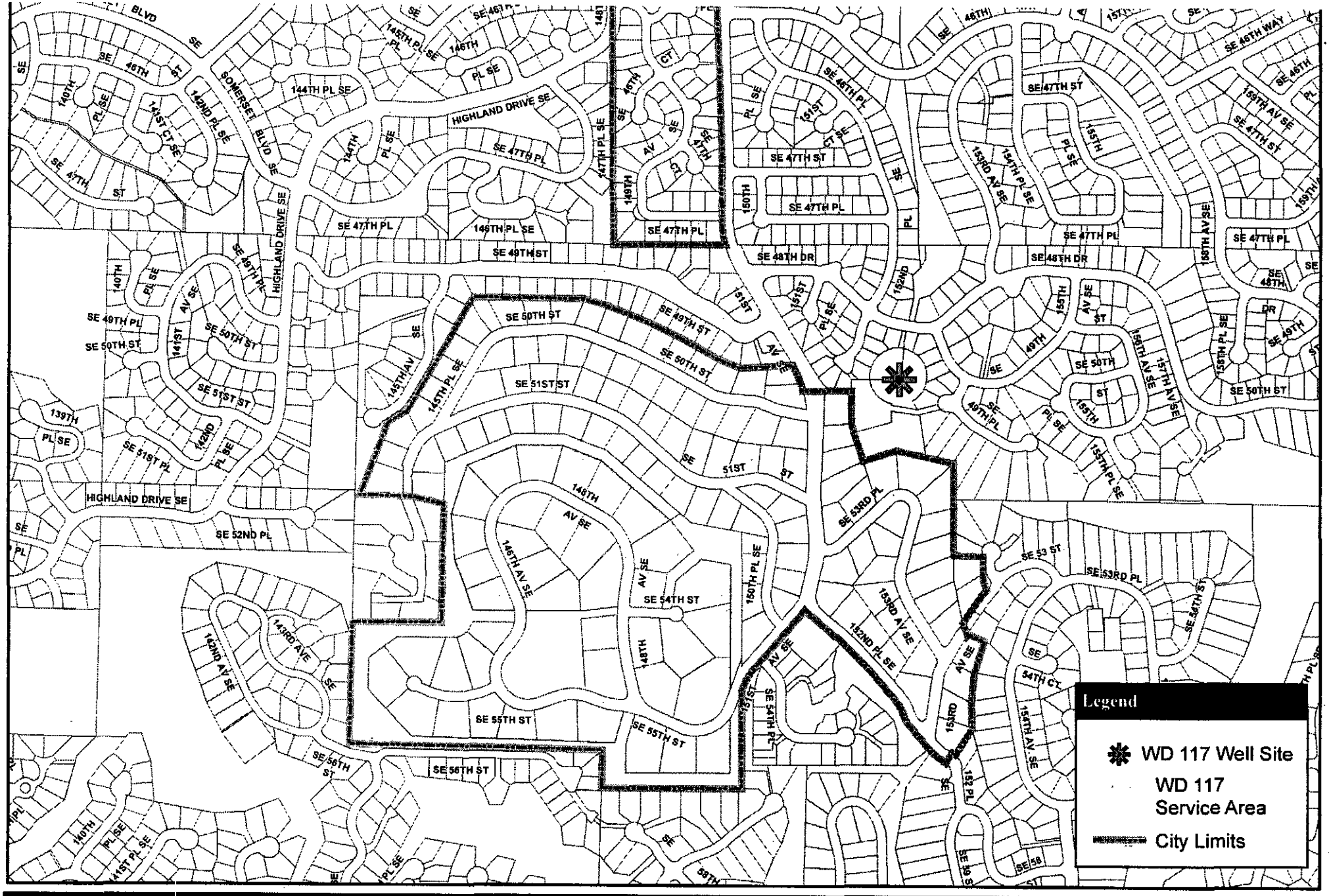
JANNA DEE STEEDMAN NOTARY PUBLIC COMMISSION EXPIRES 12-20-12 STATE OF WASHINGTON

(Signature)

JANNA DEE STEEDMAN
(Name legibly printed or stamped)

(Seal or stamp)

Notary Public in and for the State of Washington,
residing at SAMMAMISH
My appointment expires 12/20/12



City of Bellevue
GIS Services

Attachment A
Map of WD 117

The City of Bellevue does not guarantee that the information on this map is accurate or complete. This data is provided on an "as is" basis and disclaims all warranties.

Coordinate System: State Plane, Washington North Zone
NAD83 NSRS2007 (Bellevue)

660
Feet

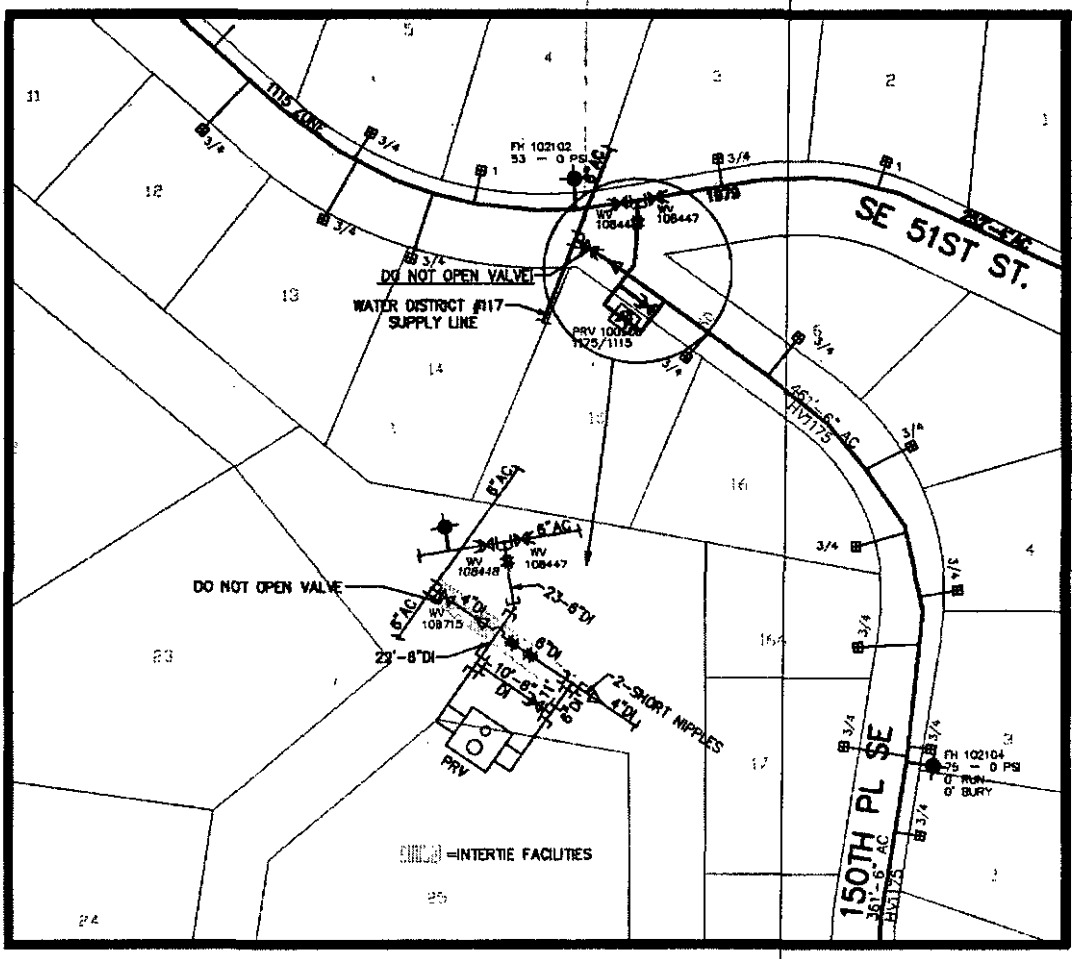
Sources:
City of Bellevue

Date: 5/21/2012 File Name: V:\pwdp\Acrogis\Annexations\SouthBellevue\WD117.mxd

IT Department

Attachment B

CITY OF BELLEVUE/WATER DISTRICT #117
WATER SYSTEMS INTERTIE



CR# 48909 DATE 6-21-12 LOC INTRLOC-00 GR #1210304.000
Res 8402

INTERLOCAL AGREEMENT BETWEEN THE CITY OF BELLEVUE AND WATER DISTRICT NO. 117 RELATING TO NON-ASSUMPTION

THIS AGREEMENT RELATING TO NON-ASSUMPTION ("Agreement") is made and entered into between the City of Bellevue ("City"), a municipal corporation located in the State of Washington, and King County Water District No. 117 ("District"), a special use purpose municipal corporation water system, with a Washington State Department of Health ID number 41980 and a non-profit corporation in the State of Washington.

WHEREAS, Bellevue Comprehensive Plan Policy AN-21 supports consolidation (by mutual agreement) of those portions of special purpose service districts with the city where the service district is providing service within the City's corporate boundary and where, as in the case of Water District 117, there are not major conflicts with existing subarea policies; and

Whereas, the City's Water Comprehensive Plan requires that any private facilities proposed to be incorporated into or assumed by the City's water utility shall meet Bellevue's performance criteria and engineering standards, or shall be capable of being incorporated or assumed without a negative financial or level of service impact on existing City water utility customers; and

WHEREAS, the Washington State Supreme Court ruled in *Lane v. City of Seattle*, 164 Wn.2d 875 (2008), that the cost of providing fire hydrants is a general government responsibility that the City is required to pay; and

WHEREAS, the Washington State Supreme Court ruled in *Tacoma v. Bonney Lake*, 173 Wn.2d 584 (2012), that municipalities may contract for the provision of fire hydrants, allowing for contractual consideration in compliance with the accountancy act; and

WHEREAS, on September 5, 2011, the City Council accepted from sufficient owners of property within the Hilltop PAA their notification of intent to annex under RCW 35A.14.120, and approved the circulation and filing of Direct Petitions for annexation under that statute; and

WHEREAS, approval of an annexation petition by the City Council is a condition precedent to enacting this Agreement; and

WHEREAS, this Agreement is authorized by the Interlocal Cooperation Act, RCW chapter 39.34 and by RCW 35.13A.070;

NOW THEREFORE, in consideration of the terms and provisions herein, the sufficiency of which is hereby mutually acknowledged, it is agreed by and between the City and the District as follows:

1. The purpose of this Agreement is to establish certain covenants between the parties in recognition of the District's continued operations following annexation of the territory served by the District into the City of Bellevue.

2. The City will not exercise its rights under RCW 35.13A.020 authorizing assumption of jurisdiction over the District for the duration of this Agreement unless required to do so by

law or regulation of an agency with jurisdiction over the provision of water to the public, or by mutual agreement of the City and the District.

3. Notwithstanding Paragraph 2, the District may request that the City exercise its authority under RCW chapter 35.13A authorizing assumption of jurisdiction over the District at any time. The City retains the ultimate authority, in its sole discretion, to determine whether it will assume the District upon such request from the District, except as otherwise provided by applicable law or regulation.

4. The District agrees to cooperate with the City as a jurisdiction planning under RCW chapter 36.70A, Growth Management Act ("GMA") for conformance with RCW 36.70A.070 and other sections of the GMA related to capital facilities and utilities elements and coordination with utility providers. The City shall provide notice to the District of any Comprehensive Plan review requiring the District's cooperation, and the District agrees to provide information and participation as is reasonably necessary to comply with this Agreement and GMA.

5. In consideration of the City's non-assumption and other agreements as set forth herein, the District agrees that it shall continue to be responsible for providing and maintaining the fire hydrants located within the boundaries of the District for the duration of the non-assumption period, excluding however the City's fire hydrant located across the street from 14615 S.E. 55th Street.

6. In consideration of the District's responsibility for providing and maintaining fire hydrants within the District as set forth in Paragraph 5, the City agrees that it shall not exercise its rights under RCW chapter 35.13A except in accordance with the terms of this Agreement.

7. In consideration of the covenants set forth herein, the District agrees, at its own expense, to repair, remove or relocate existing facilities including all appurtenant facilities and service lines connecting its system to users, within the City road rights-of-way if such repair, removal, or relocation is required by the City for any City road purpose. Such repair, removal, or relocation shall not be unreasonably required.

   The District shall, at no expense to the City, adjust, remove or relocate existing facilities within the City road rights-of-way, including all appurtenant facilities and service lines connecting its system to users, if the City determines such adjustment, removal or relocation is reasonably necessary to allow for an improvement or alteration planned by the City in such road right-of-way. The City shall give the District written notice of such requirement as soon as practicable, at the beginning of the pre-design stage for projects that are part of the City's capital improvement program, including such available information as is reasonably necessary for the District to plan for such adjustment, removal or relocation.

8. This Agreement shall become effective only upon annexation of territory within the jurisdiction of the District, and shall continue from the annexation effective date (the "Effective Date") for an initial period of twenty (20) years ("Initial Term"), unless otherwise extended in accordance with this Paragraph or terminated in accordance with Paragraph 9. Either party may renew this Agreement for one additional term of ten (10) years (the

"Renewal Term") upon written notice to the other party, which written notice shall be provided no later than the end of year fifteen (15) of the Initial Term. Failure to provide such written notice in the time required shall extinguish the option to extend for the Renewal Term.

9. Following the Initial Term of twenty (20) years and during the ten (10) year Renewal term only, either party may terminate this Agreement at any time upon providing at least two (2) years written notice to the other party.

10. Bellevue agrees that Pedestrian and Bicycle Plan Project T-428 which would add a 2-6 foot wide pedestrian walking trail called the Whispering Heights-Eagle Mere Trail connecting 152nd Place SE from SE 48th Street to 150th Avenue SE will not cross property owned by the District, identified as King County Assessor's Parcel # 2324059031, without the consent of the District.

11. Indemnification, Hold Harmless, and Defense. The District shall protect, defend, indemnify and save harmless the City, its officers, employees and agents from any and all costs, claims, judgments or awards of damages, arising out of or in any way resulting from District's operations and management of its water system; except to the extent such costs or damages result directly from the negligence of the City, its agents or employees. The District agrees that its obligations under this Paragraph extend to any claim, demand, and/or cause of action brought by, or on behalf of, any of its employees or agents. For this purpose, the District, by mutual negotiation, hereby waives, as respects the City only, any immunity that would otherwise be available against such claims under the industrial insurance provision of Title 51 RCW. In the event the City obtains any judgment or award, and/or incurs any cost arising therefrom including attorneys' fees to enforce the provisions of this article, all such fees, expenses, and costs shall be recoverable from the District.

12. <u>General Provisions</u>

    a. Interpretation. This Agreement has been reviewed and revised by legal counsel for both parties and no presumption or rule construing ambiguity against the drafter of the document shall apply to the interpretation or enforcement of this Agreement.

    b. Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of Washington State.

    c. Severability. If any provision of this Agreement or the application thereof to any person or circumstance is found to be invalid, the remainder of the provisions of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is found to be invalid, as the case may be, shall not be affected thereby.

    d. Entire Agreement. This Agreement sets forth the entire agreement of the parties with respect to the topics covered herein and supersedes all prior discussions and negotiations.

e. Successors. The covenants, terms, conditions, and restrictions of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

f. Filing. This Agreement shall be filed as required by the Interlocal Cooperation Act, which filing may be satisfied by listing the Agreement on the City's website, as authorized pursuant to RCW 39.34.040.

ATTACHMENT: Map and Legal Description of King County Water District 117.

IN WTNESS THEREOF, the parties have caused this Agreement to be executed and effective as of the Effective Date.

King County Water District 117

Commissioner

Commissioner

Commissioner

Approved as to form:

Legal Counsel for Water District 117

City of Bellevue

Steven R. Sarkozy, City Manager

Approved as to form:
Lori M. Riordan, City Attorney

By:
Mary Kate Berens, Deputy City Attorney

STATE OF WASHINGTON)

: ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that STEVEN R. SARKOZY is the person who appeared before me, and said person acknowledged that (s)he signed this instrument, on oath stated that (s)he was authorized to execute the instrument and acknowledged it as the CITY MANAGER of The City of Bellevue, a Washington municipal corporation, to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

Dated this 22 day of May, 2012.

Janna Dee Steedman

[Signature of Notary]

JANNA DEE STEEDMAN

[Print Name of Notary]

Notary Public in and for the State of

WASHINGTON, residing at SAMMAMISH

My commission expires: 12/20/12

JANNA DEE STEEDMAN
NOTARY
PUBLIC
COMMISSION EXPIRES
12-20-12
STATE OF WASHINGTON

STATE OF WASH)

: ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that DOUGLAS M BACON the person who appeared before me, and said person acknowledged that (s)he signed this instrument, on oath stated that (s)he was authorized to execute the instrument and acknowledged it as the PRESIDENT / COMMISSIONER of WATER DISTRICT 117, a Washington municipal corporation, to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

Dated this 22 day of May, 2012.

[Signature of Notary]

MARILYN BIRD

[Print Name of Notary]

Notary Public in and for the State of WASH residing at VASHON

My commission expires: 6/15/13

MARILYN BIRD
COMMISSION EXPIRES
NOTARY
PUBLIC
06-15-13
STATE OF WASHINGTON

King County Water District #117
Attn: Philip A. Hardin, Ph.D. 453-4503
5315 - 148th Avenue SE
Bellevue, Washington 98006

December 1, 1989

Mr. Mike Brownlee
Department of Public Works & Utilities
City of Bellevue
P. O. Box 90012
Bellevue, Washington 98009

Dear Mr. Brownlee:

Thank you for the time to review the procedures for opening the interconnection valve at SE 50th Street between the our water system and Bellevue's. The notification procedure we will follow will be:

- In the event of a fire or other emergency we will open the valve and notify Bellevue water/sewer maintenance at the phone number below as soon as practical.

- In non-emergency situations, we will call the Bellevue water/sewer emergency number (455-7840) to request the valve be opened. I understand that a Bellevue representative will be available 24 hours a day, 7 days a week, and that the valve will be opened within two hours of the call being placed.

- The valve closing will be coordinated using the same phone number.

We will use this procedure unless we agree on a change or KCWD #117 and Bellevue agree on a different procedure for the proposed interconnection on SE 55th street.

Thank you again for your time and consideration in defining this working arrangement to update our previous agreement.

Yours very truly,

Philip A. Hardin, Ph.D.
Commissioner, KCWD #117

PAH:c

\L002.BVE

EXECUTIVE ORIGINAL

WATER EMERGENCY AGREEMENT

THIS AGREEMENT made this 20 day of ~~April~~ MAY, 1958 between HILLTOP COMMUNITY, INC., a Washington corporation, and HORIZON VIEW COMPANY, INC., a Washington corporation

W I T N E S S E T H :

WHEREAS, the corporations which are parties to this agreement are basically composed of members who reside in adjacent communities, and desire to set up a procedure for the mutual benefit and protection of their members in the event of an emergency caused by the failure of either of their water systems,

NOW, THEREFORE, it is hereby agreed:

"Emergency procedure" shall mean the procedure set forth in "Situation 1" or "Situation 2", as the case may be, described in the document headed "Emergency Procedures" which is attached hereto and made a part hereof.

"Unit" shall mean a completed and occupied residence in the community of either corporation.

"Emergency" shall mean the failure of the water system of either corporation, but in no event shall an emergency exist unless one of the corporations cannot supply a minimum quantity of water to its members without depleting its normal water storage. For the purposes of this agreement, 200 gallons per day per unit shall be considered such a minimum quantity. It is understood that if the minimum quantities (200 gallons per unit per day) cannot be supplied as the result of the draining of lines, the checking of pumps, and other maintenance which is reasonably required an emergency condition shall exist. It is further understood that the inability of either corporation to furnish such minimum quantity as the result of overdemand on its well and/or pump, due to the fact that the well and/or pump are not adequate to provide such minimum for the number of units in its community, shall not constitute an emergency.

"The representative" as used in this agreement shall mean the chairman of the utility committee of each corporation, or, in the case of his unavailability the president of the corporation, or, in the case of his unavailability, any other officer of the corporation.

"Water system" shall mean the system wholly owned and operated solely by Hilltop Community, Inc. and the "Horizon A" water system wholly owned and operated solely by Horizon View Company, Inc., except as is set forth in Situation 3 hereto attached, wherein "storage" is included.

(2) In the event that the representative of either corporation determines that an emergency exists, he shall notify the representative of the other corporation, who shall immediately and without delay put into effect the appropriate emergency procedure, at the time specified by the other representative.

(3) During an emergency, both corporations agree that none of their members will use any water for irrigation or the sprinkling of lawns or shrubs or the filling of swimming pools, and that the use of water in both communities shall be confined to necessary domestic use only, except as otherwise specifically agreed by the representatives.

(4) It is agreed that the corporation which causes an emergency procedure to be put into effect shall reimburse the other corporation for the reasonable cost of the water used during the period of the emergency. Because the exact use of water during an emergency cannot be measured, the parties agree that the use of water during an emergency shall be compensated for on the basis of 23¢ per unit per day.

(5) In the event that an emergency should continue for a period beyond 30 days, it is agreed that, as to that particular emergency only, the provisions of this agreement shall no longer be binding, the emergency procedure shall be terminated as of the end of the 30th day, and further action, if any,

will be determined by negotiation between the corporations.

(6) Each of the parties agree that if it causes an emergency procedure to be put into effect, it will proceed with all due diligence and will use its best efforts to terminate the emergency condition as soon as possible in order to restore normal water service for the other party, and will furnish a progress report to the other party every five days during the emergency.

(7) If either party asserts (a) that an emergency as declared by the other is not necessary or is not within the restricted definition of "emergency" as defined herein, or (b) that the other party has failed to comply with Paragraph 6 hereof, or (c) that the other party has failed to comply with Paragraph 3 hereof, it shall have no legal recourse except to submit the matter to arbitration, in accordance with the procedure hereinafter described, and if it prevails in any of such assertions in arbitration, may recover a sum equal to 50¢ per unit per day for each day during which the emergency procedure has been in effect, although a necessary emergency, or an emergency as defined herein, has not existed in fact, or during which the other party has failed to comply with Paragraph 6 or Paragraph 3 hereof, as the case may be. The corporations shall be liable for such penalties even though the acts causing imposition thereof are the acts of one or more individuals residing in the community, and even though such acts are contrary to instructions or directions by the corporation.

(8) All disputes, differences, demands or controversies that may arise between the parties hereto shall be submitted to and be determined and settled by arbitration as follows:

Either corporation may, by written notice to the other, appoint an arbitrator. No person who is a member of either of the corporations hereto, or a member of the respective communities involved, or who has any financial interest, direct or

indirect, in either of the said corporations or communities, shall be qualified to act as an arbitrator. Within 10 days after the receipt of such written notice, the other corporation shall, by written notice to the former, appoint another arbitrator. In default of such second appointment within said time, the arbitrator first appointed shall be the sole arbitrator. When any two arbitrators have been appointed as aforesaid, they shall, if possible, appoint a third arbitrator. If said arbitrators are unable to agree, said third arbitrator shall be appointed by the presiding judge of the Superior Court for King County, Washington. The award and decision of the majority of the arbitrators shall be final and binding upon the parties hereto and judgment may be entered thereon in any court having jurisdiction. Such award and decision shall include the fixing of the expenses of the arbitration and the assessment of the same against either or both of the parties hereto.

Nothing herein shall prevent the parties hereto from compromise or settlement of any controversy, dispute, difference or demand prior to or during arbitration.

(3) This agreement shall remain in full force and effect until the expiration of a period of 180 days following the date that written notice of revocation is given by one of the parties hereto to any officer of the other party. It is specifically agreed, however, that each party shall have a continuing obligation to allow the other party to have a permanent connection to its well and pump for emergency use only, and until adequate repairs can be made in a reasonable time; and it is agreed that the right to have, maintain and use such permanent connections shall not be subject to cancellation except by mutual agreement.

IN WITNESS WHEREOF the parties hereto have signed this

agreement on the day and year first above written.

HILLTOP COMMUNITY, INC.

By D. V. Brown
President

Frankie L. Waterman
Secretary

HORIZON VIEW COMPANY, INC.

By Joseph M. Salerno
President

Russell W. Newman
Secretary

I. Situation: Trouble at [illegible] well, pump or line from well to valve "B" (see detail "[illegible]").

Aim: To provide Hilltop with water from Horizon View pump & well.

Procedure: (Follow sequence stepwise)
1. Be sure Hilltop pump is to "Manual" and off.
2. Close valve "B" (detail "C").
3. Open valve "B" (detail "B").
4. Close valve "A" (detail "A").
5. Open valve "H" (detail "A").

Result: Both communities will be using water from Hilltop tank supplied by Horizon View pump. Horizon View storage will be held immobile to avoid running Hilltop tank over and to provide fire coverage.

II. Situation: Trouble between valve "C" (detail "C") and Hilltop tank.

Procedure: No emergency sequence is possible to provide outside water. This is entirely a Hilltop emergency problem.

III. Situation: Trouble at Horizon View well, pump, storage or line to valves "H" or "A" (detail "A").

Aim: To provide Horizon View with water from Hilltop system.

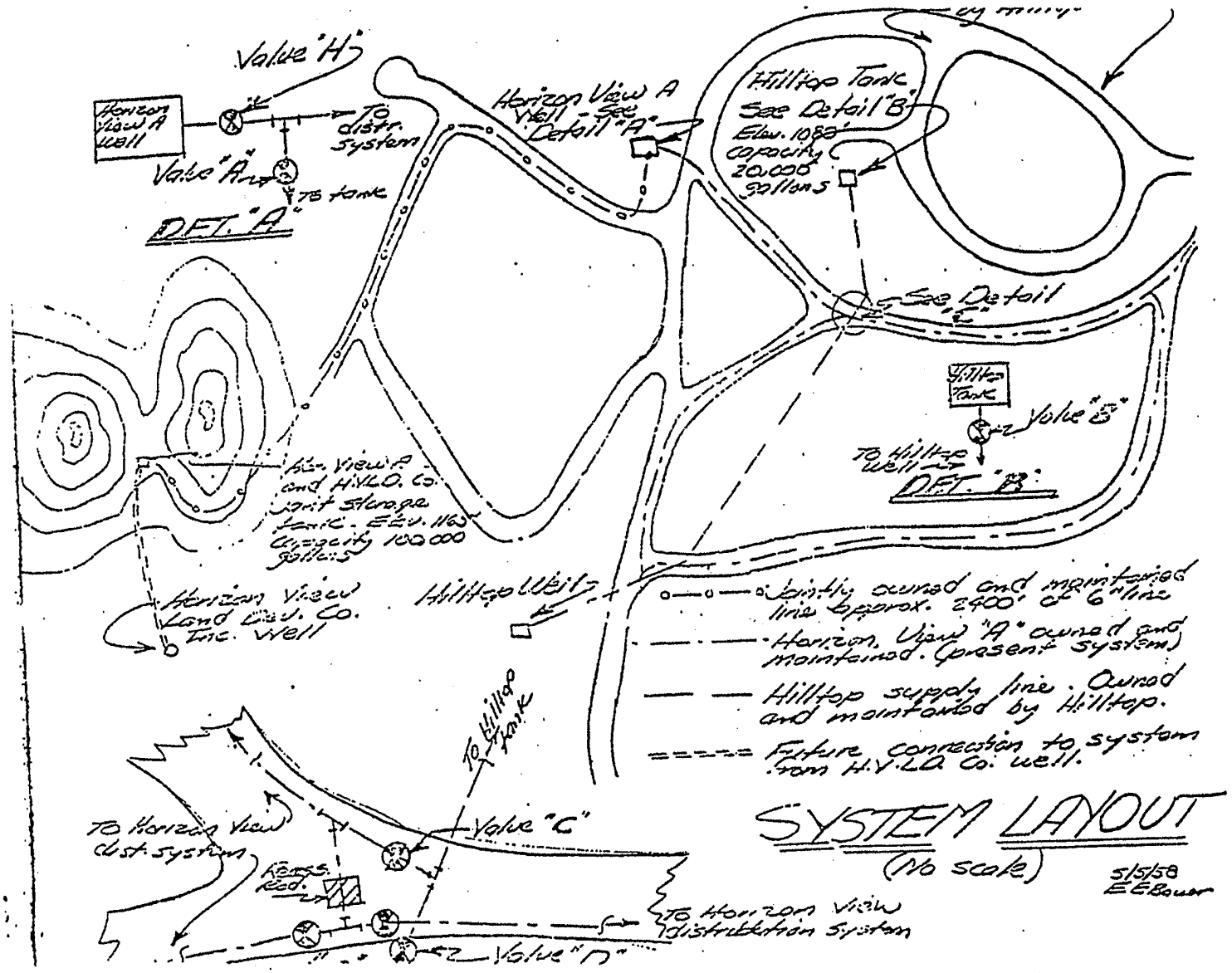
Procedure: (Follow sequence stepwise)
1. Be sure Horizon View pump is turned off.
2. Close valve "A" (detail "A").
3. Open valve "C" (detail "C") and valve "B" (detail "B").

Result: Both communities will be using water from Hilltop tank supplied by Hilltop pump.

IV. Situation: Trouble at reduction valve (detail "C"), in Horizon View distribution lines below reduction valve, or between valve "C" (detail "C") and valves "A" or "H" (detail "A").

Procedure: No emergency procedure possible to provide outside water. This is entirely a Horizon View emergency problem.

V. Possible Future Situation: When and if Hilltop community adds a line by-passing the Hilltop storage and pressure tanks, and in the event of a failure in either tank, the by-pass can be opened and water supplied directly from the Hilltop system from the Horizon View pump and well. Details of procedure to be added at the time the by-pass is completed.


Valve "H"
Horizon View A Well
To distr. system
Valve "A"
To tank
DET. "A"
Horizon View A Well - See Detail "A"
Hilltop Tank See Detail "B" Elev. 1080' Capacity 20,000 gallons
See Detail "E"
Hilltop Tank
Valve "B"
To Hilltop well
DET. "B"
Hor. View A and H.V.L.D. Co. Joint Storage Tank - Elev. 1160 Capacity 100,000 gallons
Horizon View Land Dev. Co. Inc. Well
Hilltop Well
Jointly owned and maintained line approx. 2400' of 6" line
Horizon View "A" owned and maintained. (present system)
Hilltop supply line. Owned and maintained by Hilltop.
Future connection to system from H.V.L.D. Co. well.
To Hilltop Tank
Valve "C"
To Horizon View dist. system
Press. Red.
To Horizon View distribution system
Valve "D"
SYSTEM LAYOUT
(No scale)
5/5/58
E.E.Bauer

Town of Hunts Point

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FEB 2 6

ORIGINAL

FILED NO. 26095
CITY OF BELLEVUE
DATE 8/10/98
M. Lee
CITY CLERK'S OFFICE Res 6231

ASSUMPTION AGREEMENT

THIS AGREEMENT is made and entered into to be effective as of the 3rd day of August, 1998, by and between Water District No. 17, King County, Washington, a municipal corporation in King County, Washington, hereinafter referred to as "District," and the City of Bellevue, a municipal corporation in King County, Washington, hereinafter referred to as "City."

RECITALS

A. The District provides water supply and distribution service to a geographic area lying entirely within the territory of the Town of Hunts Point and geographically portrayed on Exhibit A attached hereto and by this reference incorporated herein. The City is authorized by Chapter 35.13A RCW to assume jurisdiction and ownership of District properties, facilities and equipment, and to assume and pay all District obligations if this is mutually agreed by the City and the District.

B. The assumption by the City of the District's obligations and its water supply and distribution system has been discussed by the parties for years, and enabling legislation, Chapter 426, Laws of 1997, has been secured. The City, the District and their respective consultants and staffs have completed a review and analysis of specific issues relating to the assumption of the District's facilities and obligations by the City. Based on the recommendations and conclusions of those consultants and staffs, and with construction work under way in the District's Local Improvement District No. 1, upgrading the District's water supply and distribution system to conform with City standards, the City and District have concluded that the City's assumption of the District's water supply and distribution system and obligations should now proceed.

C. The proposed assumption of the District system by the City is consistent with the Growth Management Act which supports the City as the most appropriate provider of urban services including water supply and distribution services.

50025481.03

D. The proposed assumption and merger of operations meets the criteria and objectives of the Boundary Review Board for approval of this assumption pursuant to Chapter 35.13A RCW and Chapter 36.93 RCW.

E. The City and District now agree to proceed with the City's assumption of the District's system and obligations pursuant to Chapter 35.13A RCW in accordance with this agreement as specifically set forth hereafter.

THEREFORE, in consideration of the terms and conditions contained herein, the parties mutually agree as follows:

1. Definition of Terms. Wherever the following terms shall be used in this Agreement they shall have the following meaning unless otherwise specifically indicated in the context in which they appear:

(a) "Assessment" shall mean a charge levied in a Utility Local Improvement District or Local Improvement District for special benefits conferred by the construction of public water supply and distribution facilities, and shall include interest and any penalties thereon.

(b) "Assumption Date" shall mean the date fixed pursuant to Section 2(d) of this Agreement when the City assumes control of the operation of the System and instruments adequate to convey all the District's facilities and other property to the City are placed in escrow by the District.

(c) "City" shall mean the City of Bellevue, a municipal corporation, acting by and through its City Council unless such authority shall be lawfully delegated to other officers or unless other officers are expressly indicated herein.

(d) "Connection Charge" or "Meter Charge" shall mean a charge for the connection of properties to public water supply and distribution facilities.

(e) "District" shall mean Water District No. 17, King County, Washington, a municipal corporation, acting by and through its Board of Commissioners unless such authority shall be lawfully delegated to other officers or unless other officers are expressly indicated herein.

(f) "Service Charge" or "Water Service Charge" shall mean a monthly or other periodic charge for the use of water facilities and water. Both the District and the City currently bill their respective customers on a bi-monthly basis.

(g) "System" shall mean all water supply and distribution facilities heretofore installed or acquired by the District or by the City, or hereafter installed or acquired by the District or by the City pursuant to this Agreement.

(h) "Title Transfer and Dissolution Date" shall mean that date fixed pursuant to Section 4 of this Agreement when the escrowed conveyance instruments are delivered to the City, the City assumes all of the obligations of the District, and the District is dissolved by order of the Superior Court.

2. Assumption and Dissolution Process.

(a) Preparation for Assumption and Dissolution. The City and the District are authorized pursuant to RCW 35.13A.070 to enter into contracts relating to the rights, powers, duties and obligations of the City and the District, with regard to the use and ownership of District property and other matters relating to the assumption of the District by the City. Therefore, the City and the District agree to the assumption of the District in its entirety by the City consistent with and pursuant to the terms of this Agreement, any amendments thereto, and Chapter 35.13A RCW, subject to the approval of such assumption by the Washington State Boundary Review Board ("BRB") of King County and the Superior Court of the State of Washington for King County on substantially the terms and conditions contained herein.

(b) Boundary Review Board Notices of Intent. The City and the District agree to cooperatively pursue the assumption and dissolution of the District by the City in accordance with the terms set forth in this Agreement and the procedures set forth in Chapter 35.13A RCW, Chapter 36.93 RCW and other applicable statutes. The City shall file with the BRB a notice of intent to assume and dissolve the District pursuant to Chapter 36.93 RCW. The District by resolution has expressed its intention to not request that the BRB invoke jurisdiction. The District agrees that it will not file a request for review of the assumption with the BRB, on the condition that the assumption proceeds in accordance with the terms of this Agreement and any amendments thereto. Following the filing of the City's notice of intent as referenced above, in the event BRB jurisdiction to review the proposed assumption is invoked, the City and the District shall coordinate, prepare and present testimony to the BRB regarding the proposed assumption and take all actions necessary to obtain timely BRB approval of the assumption of the District.

(c) Dissolution of District. In the event that the BRB approves the assumption of the District, the City and the District shall cooperatively pursue the prompt dissolution of the District by court order as provided by Chapter 35.13A.080 RCW. After the Assumption Date and until the dissolution of the District, the District Board of Commissioners shall continue to operate and function to effect the dissolution of the District.

(d) Assumption Date. In the event the BRB invokes jurisdiction and subsequently approves the assumption of the District, the Assumption Date for the purposes of this Agreement shall be the date established by the BRB when such assumption shall be effective. In the event the BRB does not invoke jurisdiction, the assumption is deemed approved and the Assumption Date shall be November 1, 1998. If the BRB does not invoke jurisdiction, the City will assume full physical operation and control of the District System effective at midnight on October 31, 1998

(e) Escrow for Conveyance Instruments. On or before the Assumption Date, the District shall establish an escrow at an institution acceptable to the City and deposit therein appropriate instruments to convey to the City all of the District's facilities and other property, both real and personal, except the District's Local Improvement Fund, District No. 1, which shall be transferred to the City as provided in Section 9. At the same time, the District

shall provide instructions to the escrow institution for the delivery of all such conveyance instruments to the City immediately upon the Title Transfer and Dissolution Date when the City shall assume and agree to pay in accordance with their terms all District liabilities.

3. Distribution of District Assets and Liabilities and Dissolution of District. The parties agree that on the Title Transfer and Dissolution Date, the City shall acquire all of the District's assets, except the Local Improvement Fund, District No. 1, and shall further assume and be obligated to pay all of the District's debts and liabilities. Such assumption and acquisition of District assets and liabilities shall occur as follows:

(a) Consistent with the Laws of the State of Washington and pursuant to this Agreement, all of the right, title and interest of the District in and to all real property interests, contract rights, franchises, easements, water system facilities and appurtenances thereto, equipment and vehicles, personal property, cash, accounts receivable, investments and choses in action of all kinds, except the Local Improvement Fund, District No. 1, which shall be in existence at the Assumption Date, as defined herein, shall be conveyed, transferred and quit claimed by District to the City. The City shall pay nothing to the District in exchange for the property described herein, with the mutual covenants of this Agreement constituting good and sufficient consideration for the conveyances contemplated by the Agreement. . It is further mutually agreed and recognized by the parties that all assets which the City may acquire pursuant to this Agreement shall remain subject to all presently outstanding indebtedness of the District. It is further agreed that the assets which the City shall acquire pursuant to this Agreement shall further be subject to the rights of other individuals and entities including, but not limited to all persons residing within the District whose property now or hereafter located within the District is served by the District's water supply system, and parties with whom the District may have existing contracts.

(b) The City shall assume, effective on the Title Transfer and Dissolution Date, and pay in accordance with their terms, all obligations and liabilities of the District outstanding on that date. This shall necessarily include but shall not be limited to paying and securing payment of the principal of and interest on the District's then outstanding Local Improvement District No. 1 Bond Anticipation Note (Line of Credit), in accordance with the

terms thereof. The City agrees to pay all ordinary and necessary expenses of the District incurred up to and including the date of formal dissolution of the District.

(c) Prior to confirmation of the final assessment roll in its Local Improvement District No. 1, which shall be accomplished before the Title Transfer and Dissolution Date, the District shall by resolution convert such LID into a Utility Local Improvement District (ULID) called Utility Local Improvement District No. 1.

(d) After the Title Transfer and Dissolution Date, the City shall issue its water and sewer revenue bonds secured by the net revenue of the City's System and utility local improvement assessments, including the assessments to be levied in the District's Utility Local Improvement District No. 1, or otherwise provide the money to duly pay and redeem the District's interim financing of the design and construction of the improvements in such utility local improvement district in the form of the Local Improvement District No. 1, Bond Anticipation Note (Line of Credit), issued January 29, 1998, in the principal amount of not to exceed $500,000, bearing interest at 7.25% per annum, due January 29, 1999, and subject to prepayment at any time.

(e) District contracts outstanding on the Title Transfer and Dissolution Date, not otherwise specifically provided for herein, shall be assumed by the City including but not limited to the following:

1) Construction Contract. City shall assume and perform all the District's rights and responsibilities with reference to the contract between the District and Underground Specialties, Inc., for the construction of improvements in Local Improvement District No. 1.

2) Miscellaneous District Contracts. City shall assume District's rights and responsibilities under any other contracts not otherwise specifically provided for in this Agreement.

3) Future Agreements. The District shall not enter into any new agreements after the Assumption Date, without the City being a party to such agreement.

From the date of execution of this Agreement until the date of assumption, the parties hereto agree to continue to cooperate fully on matters of mutual interest including the making of District contracts.

4. Court Proceedings, Title Transfer and Dissolution Date and Dissolution of the District. In accordance with the terms of this Agreement, the parties shall petition the Superior Court of the State of Washington for King County upon or before the confirmation by District resolution of final assessments in Local Improvement District No. 1, and no later than the Assumption Date, for an order approving and directing the proposed transfer of District assets, and assumption of indebtedness and obligations by the City after a hearing if necessary and appropriate findings. The court order to be sought and supported by the parties shall also approve this Agreement, prescribe the time of the transfer of assets and liabilities, thereby establishing the Title Transfer and Dissolution Date, and dissolving the District as of that date. The respective costs and expenses of such court proceedings shall be borne by the parties. It is the intention of the parties that the transfer of assets, assumption of liabilities and District dissolution contemplated by the Agreement should occur as soon as reasonably possible, and in any event, no later than December 31, 1998.

5. District Records and Execution of Documents. From the effective date of this Agreement, the City shall have access to all records in District's possession pertaining to the construction of the System, schedules of water service charges and connection charges and charges in lieu of assessment heretofore made by the District. The District shall likewise furnish to the City all records of water connections which have been made by the District, historical water consumption and payment records for all customers served by the District, as-built drawings of water mains and facilities, all documents listed under Section 3(e), and such other documents as the City may require to carry out the terms of this Agreement. Any cost pertaining to the transfer or duplication of such records shall be borne by City. The parties hereto agree to approve and execute any and all documents including bills of sale, deeds, assignments of interests and rights as necessary to convey, transfer or assign District's assets, rights, interests, and liabilities to the City as provided in this Agreement.

6. Operation and Maintenance of District's System. From and after the Assumption Date, the City shall maintain and operate all of the System facilities, and other facilities and equipment now or hereafter constructed as necessary to continue to furnish water supply and distribution service to all customers served by the System. From and after the Assumption Date, the City shall operate and maintain the System as a part of the City's water system, in the manner provided by law. The City shall, for the life of those facilities of the District which serve persons and properties located within the District but outside of the City, make such facilities available to serve all persons and properties consistent with all agreements previously entered into by the District. The City shall provide water supply and distribution service to all portions of the District, equal in all respects to that provided to residents of the City.

7. Personnel Employment and Compensation. There are no District employees entitled to protection from reductions in force or to other benefits under this Agreement by virtue of such employment.

8. Utility Rates Charges and Regulations. The parties agree that from and after the Assumption Date that the City shall provide water supply and distribution service within the District, on the same basis as water service is provided to other City customers in accordance with the City's respective ordinances, resolutions, regulations and codes relating to the provision of water service as adopted and enforced by City. The City shall impose service charges, assessments, connection charges or other miscellaneous fees within the District's service area at no higher rate than the rate charged for the same "class of service" rendered within or without portions of the City. The term "class of service" shall have the meaning as set forth in RCW 35.92.010 or as such statute may be amended.

9. District Funds. From and after the Assumption Date the District's existing Local Improvement Fund, District No. 1, from which the District's outstanding Local Improvement District No. 1, Bond Anticipation Note (Line of Credit) is payable, shall continue to be held by the King County Treasurer (King County Department of Finance) and invested or applied to the payment of such note, in accordance with written directions given from time-to-time by the City,

until such time as said note shall have been paid in full. The City shall assure that all required deposits into such fund out of the assessments when collected in such Local Improvement District, are duly made in accordance with prior resolutions and agreements of the District. The City shall be responsible for any statutory fees and costs of the King County Treasurer (King County Department of Finance) for providing said services. Segregations of assessments requested after the Assumption Date shall be reviewed by the City and the King County Treasurer (King County Department of Finance) who is thereafter authorized to honor segregations approved by the City. When the above-referenced note has been paid and retired in accordance with its terms, any remaining money in the Local Improvement Fund, District No. 1, shall be paid to the City.

All cash in the District's Maintenance Fund or other funds, after payment of or provision for payment of all warrants drawn thereon prior to the Assumption Date, shall be thereafter paid by the King County Treasurer (King County Department of Finance) to the City on the Title Transfer and Dissolution Date.

10. District Commissioners' Indemnification. From and after the Transfer and Dissolution Date, the City shall assume all duties, obligations and liabilities of the District and its Commissioners, as provided by Chapter 35.13A RCW. The City shall indemnify, defend and hold the District and its Commissioners harmless from any claim or liability arising directly or indirectly from the District's or Commissioner's alleged performance or failure to perform District duties prior to the Title Transfer and Dissolution Date, including indemnification for all reasonable attorney's fees and costs incurred therein; provided, that the City's duty to indemnify, defend and hold the Commissioners and the District harmless shall only apply to claims or liabilities arising out of the District's and/or Commissioner's performance or failure of performance of duties in good faith.

11. Liability for Damage Indemnity and Hold Harmless.

(a) City agrees to indemnify, defend and hold harmless the District and its officers, employees, agents, and consultants, from any and all claims, actions, liabilities,

losses, costs, or expenses, including costs of any lawsuit and attorneys' fees, relating to any asset or liability assumed pursuant to this Agreement, arising out of any negligent or wrongful act or omission of the City resulting from or in any way connected with the responsibilities or obligations the City may have pursuant to this Agreement.

(b) From and after the Assumption Date, the City shall be solely liable for all damages or claims made in connection with or arising out of the operation, maintenance, construction, repair or replacement of any asset or liability assumed by the City pursuant to this Agreement, irrespective of the date on which the damage or claim accrued or arose.

12. District Representation and Warranty: District Insurance.

(a) To the best of the District Commissioners' knowledge, there are no outstanding or possible claims against the District which could involve or presently involve the District in litigation.

(b) The District agrees to maintain all insurance it carries as of the effective date of this Agreement, including auto, casualty, liability, errors and omissions, and public employee and elected officials bonding, in full force and effect from the effective date of this Agreement until the Title Transfer and Dissolution Date. Thereafter, the District agrees to cooperate with the City and complete, approve, and execute any applications or other documents required to obtain, extend, and/or renew District insurance coverage as required by the City and to add the City an insured on any such insurance coverage or policies, including but not limited to the purchase of a "tail" for the public officials errors and omissions coverage with the premium being paid by City.

13. Costs of Assumption. It is understood and agreed by and between the parties hereto that each party shall assume and pay its own costs in reviewing and analyzing issues relating to the assumption of District by City and in finalizing the assumption process.

14. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and may be modified only by an agreement in writing signed after due authorization by both parties hereto.

15. Notices. Any notice to be given or any documents to be delivered by either party to the other party shall be delivered in person or mailed by certified mail and addressed to the respective parties at the following addresses, unless otherwise directed by certified mail addressed to the proper party as identified below.

To City of Bellevue at:	Director of Utilities, City of Bellevue 301 - 116th Avenue S.E., #230 P.O. Box 90012 Bellevue, Washington 98009-9012
To District at:	Ernest Norehad, M.D. 12815 120th Avenue N.E. Kirkland, WA 98034

16. Severability. If any provision of this Agreement is held to be invalid by the final judgment of a court of competent jurisdiction, the remainder of the Agreement shall be unaffected and shall remain in full force and effect.

17. Effective Date. This Agreement shall take effect on the date first above written upon approval by the City Council of the City of Bellevue and by the Board of Commissioners of Water District No. 17, King County, Washington, and due execution as set forth below.

18. Execution in Counterparts. This Agreement may be signed in counterparts and, if so signed, shall be deemed one integrated document.

CITY OF BELLEVUE

By Lynda M. Barton
Its _____
Dated _____

50025481.03

Approved as to form:

OFFICE OF THE BELLEVUE CITY ATTORNEY

By _____
Its _____
Dated _____

WATER DISTRICT NO. 17, KING COUNTY, WASHINGTON

By _____ By _____
President Secretary

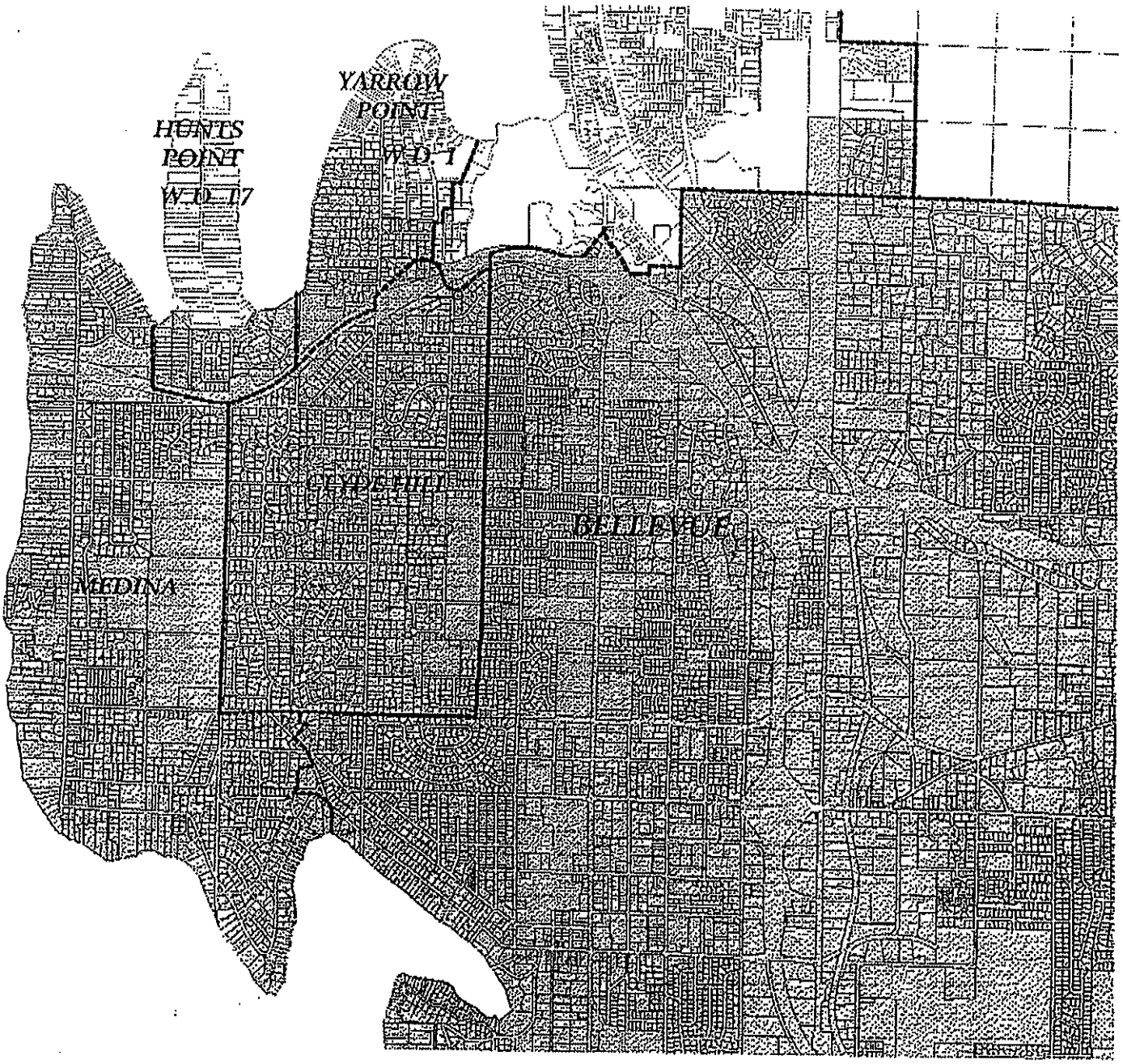
Dated 8-1-98 Dated 8-1-98

Approved as to form:

FOSTER PEPPER & SHEFELMAN PLLC
COUNSEL FOR WATER DISTRICT NO. 17
KING COUNTY, WSHINGTON

By _____
Dated 8-1-98

50025481.03



BELLEVUE WATER SERVICE AREA

N

BELLEVUE & WATER DISTRICT SERVICE AREAS

EXHIBIT A

JULY 30, 1998

TOWN OF HUNTS POINT/KING COUNTY WATER DISTRICT NO. 17
AGREEMENT TO DIVIDE SEPA LEAD AGENCY RESPONSIBILITIES

WHEREAS, King County Water District No. 17 ("the Water District") is proposing to adopt a comprehensive water system plan dated March, 1996, prepared by H. Allan Newbill, P.E. "Comprehensive Plan", and to finance and construct improvements to the District's water facilities as described in the Comprehensive Plan; and

WHEREAS, RCW Chapter 43.21C, the Washington State Environmental Policy Act ("SEPA), requires that the impacts of these proposed actions upon the environment be considered pursuant to procedures specified in SEPA prior to adoption of the Comprehensive Plan and construction of the improvements; and

WHEREAS, the District and the Town of Hunts Point ("Hunts Point") have authority pursuant to WAC 197-11-944 to enter into an agreement to divide the responsibilities of complying with SEPA and desire to cooperate by agreeing to divide these responsibilities;

NOW, THEREFORE, it is hereby agreed as follows:

1. The District shall prepare an Environmental Checklist in compliance with WAC 197-11-100 and 197-11-960 and submit the Checklist to Hunts Point.

2. The District shall notify the Washington State Department of Ecology and all agencies which must approve the Comprehensive Plan and/or grant any approval required for construction of the water facilities, of this lead agency agreement and of Hunts Point's role as nominal lead agency, as required by WAC 197-11-944.

3. Hunts Point shall make a SEPA threshold determination on the proposal to adopt the Comprehensive Plan and to construct the water facility improvements, and give notice of such decision, in compliance with WAC 197-11-310-360.

4. In the event an environmental impact statement ("EIS") must be prepared, the District shall perform scoping, prepare the EIS, and perform other applicable responsibilities as specified in Parts Four and Five of the SEPA Rules, WAC 197-11.

5. Hunts Point shall be the "nominal lead agency" (WAC 197-11-944) with overall responsibility for compliance with the duties of lead agency under WAC 197-11.

6. Hunts Point shall be entitled to receive reimbursement from the District for costs reasonably incurred in carrying out its

responsibilities under this Agreement, provided that such costs shall not exceed $2,500 unless an itemized estimate of projected costs is submitted to, and approved by the District in advance of incurring the expenses.

AGREED TO as of this 20th day of June, 1996.

KING COUNTY WATER DISTRICT NO. 17

Dr. Ernest Norehad, Commissioner

Alvin Pearl, Commissioner

Jeff Wright, Commissioner

TOWN OF HUNTS POINT

Erselle S. Eade, Mayor

ATTEST:

Lynne W. Perkins
City Clerk

APPROVED AS TO FORM:

City Attorney

85030986.1

ORIGINAL

FILED NO. 21175
CITY OF BELLEVUE
DATE 12/29/94
R. McCoy
CITY CLERK'S OFFICE

FRANCHISE AGREEMENT

WHEREAS, the Town of Hunts Point and the City of Bellevue desire to enter into a franchise agreement to allow the City of Bellevue to continue to use the public rights-of-way in the Town of Hunts Point for the purpose of operating the City of Bellevue's water distribution and wastewater utilities within the Town of Hunts Point; now therefore,

The Town of Hunts Point and the City of Bellevue agree as follows:

SECTION 1. GRANT OF FRANCHISE. The Town of Hunts Point hereby grants to the City of Bellevue, Washington, and it's successors and assigns, the right, privilege, authority and non-exclusive franchise to continue to enter upon, use and occupy the public rights-of-way and utility easements of the Town of Hunts Point, Washington, for constructing, maintaining, repairing, renewing and operating water distribution and wastewater collection systems and accessories, in, upon, under, across and through said public rights-of-way and utility easements within the Town of Hunts Point.

SECTION 2. FRANCHISE FEE. The City of Bellevue agrees to pay the Town of Hunts Point a quarterly franchise fee in the amount of 6.5% of the quarterly gross revenues of the City of Bellevue's water and sanitary sewer utilities derived from the operations of said utilities within the Town of Hunts Point. The franchise fee provided herein shall be in lieu of any other tax, fee or charge, direct or indirect, imposed by the Town of Hunts Point on the operations of the City's utilities within the Town of Hunts Point. The City of Bellevue is authorized to withhold an amount not to exceed $100 from any individual payment to recover its costs of processing such payment.

SECTION 3. ADJUSTMENT TO RATE OF FRANCHISE FEE. The franchise fee rate set forth in Section 2 above may be modified at any time by the Town of Hunts Point. The Town of Hunts Point shall provide the City of Bellevue with written notice of any modification of such rate no later than forty-five (45) days prior to the effective date of such modification.

SECTION 4. TERM AND EFFECTIVE DATE. This agreement shall take effect upon execution by both parties and shall remain in effect for a period of ten (10) years from the effective date. Upon the expiration of the ten (10) year term, this agreement shall

RECEIVED
AUG 30 1977
City Clerk's Office

FILED NO. 4367
CITY OF BELLEVUE
DATE 9-9-77
CITY CLERK
Res. # 2947

SERVICES AGREEMENT

THIS AGREEMENT, entered into this 4th day of March, 1976, by and between the CITY OF BELLEVUE, a municipal corporation, herein referred to as City, and KING COUNTY WATER DISTRICT NO. 17, a municipal corporation, herein referred to as District.

Whereas, District desires City to perform certain services for District, including the installation of new services, the furnishing and installation of meters, and the performance of certain maintenance work, and

Whereas, City is capable of and willing to perform said services under the terms and conditions hereafter set forth,

NOW THEREFORE, in consideration of the mutual covenants and promises herein contained, is hereby agreed as follows:

1. City agrees to install waterline service connections, including water meters when required, at the request of District. Specifications for meters, service lines and other materials and equipment shall be as set forth in a written protocol to be mutually agreed to by the parties. All materials, equipment, and labor shall be furnished by City, and City shall have sole discretion as to the time and method of installation.

2. City agrees to perform all such maintenance work as may be required on the District system. This shall include inspection services, preventative maintenance, remedial maintenance on matters of a minor nature, and major maintenance when specifically requested by the District. The specific terms and conditions for such maintenance work shall be as set forth in a written protocol to be agreed upon between the parties.

3. District shall pay to City for the services performed under paragraphs 1 and 2 above all of the City's actual costs for labor, materials, equipment and appurtenances, including but not limited to meters, meterboxes, saddles, corporation stops, water service lines, and line setters, plus a charge for overhead in a amount of 15% of all of the above charges. Specific charges for labor, materials and equipment shall be set forth in a written protocol to be agreed upon by the parties.

4. In consideration of the performance of the services by City under this agreement, District does hereby unconditionally release City, its agents and employees, from any and all liability of any type, kind or nature whatsoever, for actual or alleged negligence in performing services for District pursuant to this agreement. City agrees to exercise its best efforts in exercising its duties hereunder. However, City shall not be responsible for any breakdowns, malfunctions or other defects of any type, kind or nature whatsoever resulting from City's performance hereunder or occuring in materials or equipment installed by the City.

5. District agrees to maintain on its policies of broad form liability insurance for both personal and property damage, City as an additional named insured with respect to all work and services performed by the City hereunder, and to provide certificates evidencing that City and its employees are named insureds on said policies, it being understood and agreed that all liability to third parties resulting from City's performance under this agreement or from any malfunction or defects in the materials and equipment installed by City hereunder, shall be the sole liability of District, and the District will hold City harmless from any such liability.

6. This agreement shall remain in effect until terminated by either party upon at least 60 days notice to the other. This agreement shall supersede any prior agreement, written ororal. T.B.M. F.L.D. J.E.A.

IN WITNESS WHEREOF, the parties have executed this agreement this 12 day of Sept., ~~1976~~ 1977.

CITY OF BELLEVUE

By L. Joe Miller, City Manager

KING COUNTY WATER DISTRICT NO. 17

By Fred L. Dellin

By Theo B. Mullen

By

be automatically extended on a year to year basis unless either party gives the other party written notice of its intent to terminate this agreement at least sixty (60) days prior to the next succeeding automatic renewal date.

TOWN OF HUNTS POINT

By: Erselle S. Eade
Its: Mayor
Date: November 14, 1994

CITY OF BELLEVUE

By: Phillip Kushlan
Its: City Manager
Date:

Approved as to form:

Kirk R. Wines, Town Attorney

Approved as to form:

City Attorney

City of Issaquah

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1367-RES
6/3/2005

ORIGINAL

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 7212

A RESOLUTION authorizing execution of a Water Facilities Agreement between the cities of Bellevue and Issaquah.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is authorized to execute a Water Facilities Agreement between the cities of Bellevue and Issaquah, a copy of which Agreement has been given Clerk's Receiving No. 38205.

Passed by the City Council this 20th day of June, 2005, and signed in authentication of its passage this 20th day of June, 2005.

(SEAL)

Connie B. Marshall
Connie B. Marshall, Mayor

Attest:

Myrna L. Basich
Myrna L. Basich, City Clerk

WATER FACILITIES AGREEMENT BETWEEN
CITY OF BELLEVUE
AND CITY OF ISSAQUAH

CR# 38205 DATE 09.19.05 LOC 05.739 PO 510799
Res 7212

THIS AGREEMENT is made by and between the City of Bellevue, a municipal corporation, in King County, Washington ("Bellevue"), and the City of Issaquah, a municipal corporation, in King County, Washington ("Issaquah") for the purposes set forth herein.

RECITALS

WHEREAS, the areas of Glacier Ridge (including Montreux) and Lakemont Triangle are within the City of Issaquah (shown on Exhibit A); and

WHEREAS, Issaquah currently serves these areas for water supply through two interties with Bellevue located at SE 42nd and SE Newport Way, and SE 60th and 180th Avenue SE; and

WHEREAS, Issaquah plans to serve a portion of Glacier Ridge with water supplied through a third, future intertie with Bellevue located near Cougar Mountain Drive and 180th Avenue SE; and

WHEREAS, in order to serve Glacier Ridge and Lakemont Triangle, Issaquah uses portions of Bellevue's transmission, distribution, pumping and storage facilities; and

WHEREAS, Issaquah and Bellevue are both members of Cascade Water Alliance and receive wholesale water supply from Cascade Water Alliance; and

WHEREAS, Cascade Water Alliance has provided service points of delivery to Issaquah along its transmission main located in Newport Way; and

WHEREAS, Issaquah needs portions of some of Bellevue's facilities (such as reservoirs, pump stations, and transmission mains) to supply water to Glacier Ridge (including Montreux) and Lakemont Triangle areas; and

WHEREAS, Bellevue has agreed to allow use of its system by Issaquah to deliver water supply to Issaquah's Glacier Ridge and Lakemont Triangle areas;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is acknowledged, Bellevue and Issaquah agree as follows:

1. This Agreement supercedes and replaces all other agreements for wholesale water supply service between Issaquah and Bellevue.

2. Bellevue shall allow Issaquah to use portions of its water utility facilities as defined in this Agreement for delivery of water supply to the City of Issaquah at the existing interties and one future intertie located at: 1.) SE 42nd and SE Newport Way and 2.) SE 60th and 180th Avenue SE and 3.) near Cougar Mountain Drive and 180th Avenue SE (future intertie).

3. This Agreement allows the use of Bellevue's system by Issaquah to allow delivery of water supply to a limited area of Issaquah's water service area. The number of Equivalent Residential Units (ERU's) to be served within Lakemont Triangle (through the Newport Way intertie) shall not exceed 400 (600 Multi-family units). The number of ERU's to be served within Glacier Ridge (through the SE 60th intertie) shall not exceed 700 ERU's total, with no more than 150 ERU's of the 700 total being supplied water through the future intertie on or near Cougar Mountain Drive. An ERU shall be defined as being equal to one for each single family detached dwelling and shall be based on a mutually agreeable formula for all other uses.

4. Bellevue shall provide a maximum fire flow of 2500 gallons per minute at the SE 60th and 180th Avenue SE connection and 2000 gallons per minute at the SE 42nd and SE Newport Way connection and 1500 gallons per minute at the future connection near Cougar Mountain Road and 180th Avenue SE. It is understood that the actual rate of flow at the point of use is dependent upon the hydraulic behavior of the distribution system between the connection points and the point of use and Bellevue therefore makes no representation with regard thereto.

5. Issaquah agrees to pay Bellevue its fair share of the capital costs of the existing facilities (previously constructed by Bellevue) included on Exhibit B. The cost of these existing facilities will be recovered as a connection fee of $1,098 for each ERU that is served by the Newport Way connection, $3,761 for each ERU that is served by the SE 60th connection, and $5,767 for each ERU that is served by the future Cougar Mountain Drive connection. These fee amounts are for all new connections made in 2005 and will be adjusted annually by an amount equal to the percent annual change in the Consumer Price Index for All Urban Consumers (CPI-U) for the Seattle Metropolitan Area. These fees will be collected by Issaquah and paid to Bellevue in the manner described in paragraph 9 of this Agreement.

6. The future facilities included on Exhibit B are to be provided in response to development activity in the area supplied by the future connection near Cougar Mountain Drive and 180th Avenue SE, hence the cost of constructing these facilities is Issaquah's responsibility and is dependent upon developer contributions and construction.

7. Bellevue shall own and maintain all facilities within its service area that are jointly used by Bellevue and Issaquah.

8. Issaquah shall own and maintain all facilities that are solely used for service to Issaquah, regardless of the location of the facilities. Bellevue shall not tap into any Issaquah water main without Issaquah's written approval. Such approval shall not be unreasonably withheld.

9. Issaquah agrees to pay Bellevue's applicable standard connection fees for each ERU that is served. These fees will be collected by Issaquah on a unit by unit basis at the time that water service is requested. An annual payment will be made to Bellevue representing the connection fees that were colleted during the preceding twelve month period. The annual payment shall be made on or near December 31st of each year that new connections are added. A letter report shall accompany the payment, which includes an accounting of the connections added during the year.

10. Issaquah shall read both the master meter located on SE 60th and the future master meter located on or near Cougar Mountain Drive monthly and shall report consumption to Cascade Water Alliance.

11. Issaquah shall sum the bi-monthly consumption on the retail meters in the Lakemont Triangle area and add 10% (to address water losses in the system) and report that as consumption to Cascade Water Alliance. The metering devices shall be periodically calibrated in accordance with manufacturer's specifications to guarantee accuracy. If, due to water quality considerations, Issaquah needs to periodically flush its main, Issaquah shall install a metered flushing station to record consumptions.

12. Issaquah shall pay Cascade Water Alliance for the wholesale water it receives through these interties.

13. Upon execution of this Agreement Issaquah shall pay Bellevue $24,000 for the use of its facilities listed in this Agreement for 2004 and $24,500 for 2005. For subsequent years, the previous year's payment shall be adjusted annually by an amount equal to the percent annual change in the Consumer Price Index for All Urban Consumers (CPI-U) for the Seattle Metropolitan Area, and the amount due shall be paid in equal monthly installments.

14. Whenever possible, Bellevue will notify Issaquah 4 years in advance of when the renewal or replacement of capital facilities necessary under this Agreement is anticipated. Issaquah's fair share contribution for construction capital shall be determined by the percentage share listed in Exhibit C for each facility under this Agreement.

15. Bellevue agrees that the delivery of water to the point of connections will meet the same standards of reliability, rate of flow, and quality that it provides to its retail customers.

16. Issaquah is currently studying the possibility of annexing the South Cove area in accordance with its adopted land use plan. Bellevue currently is providing water service to this area. At the time of annexation, Bellevue is interested in Issaquah taking the service responsibility for South Cove. Upon annexation, Bellevue and Issaquah agree to negotiate an amendment to this Agreement to create an additional supply intertie and to wheel water on behalf of Cascade Water Alliance to serve this area.

17. Cascade Water Alliance shall be made aware of any planned modifications to any of the connections and shall be approved by Cascade Water Alliance if, as part of the modifications, a new connection is planned on the Cascade Water Alliance system.

18. When Issaquah discontinues use of any part of Bellevue's facilities identified in this Agreement by providing supply from a different location then the annual costs paid to Bellevue will be renegotiated based upon the logic used to determine the costs identified in this Agreement.

19. In the event that Issaquah or Bellevue withdraws from Cascade Water Alliance or Cascade Water Alliance dissolves, Issaquah and Bellevue will renegotiate this Agreement for continued delivery of water as necessary.

20. **Dispute Resolution.** Each City shall designate representatives for the purposes of administering this Agreement and resolving disputes arising from this Agreement. Each City shall notify the other in writing of its designated representatives. Each City may change its designated representatives by written notice to the other.

    Disputes that cannot be resolved by the representatives designated herein shall be referred to the chief executive officer of each City for mediation and/or settlement. If the executive officers are unable to reach settlement, the cities agree to mediate in good faith before a mutually acceptable mediator, with costs of the mediation to be shared equally between the cities. In the event a settlement cannot be reached through mediation, either party may bring an action in King County Superior Court to enforce any provision of this Agreement.

21. **Liability/Hold Harmless.** Bellevue shall indemnify, defend, and hold harmless the City of Issaquah, its officers, agents and employees, from and against any and all claims, losses or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Bellevue, its officers, agents and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Issaquah, its officers, agents and employees, Bellevue expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. This paragraph shall not apply to any damage resulting from the negligence of Issaquah, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Issaquah, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Bellevue, its officers, agents, and employees.

Issaquah shall indemnify, defend, and hold harmless the City of Bellevue, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Issaquah, its officers, agents and employees, in the performance of this Agreement and as to claims against Bellevue, its officers, agents and employees, Issaquah expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Issaquah. This paragraph shall not apply to any damage resulting from the negligence of Bellevue, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Bellevue, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Issaquah, its officers, agents and employees.

22. **Effective Date.** This Agreement is effective upon the date of the last signature below.

Approved as to Form
Bellevue Legal Counsel

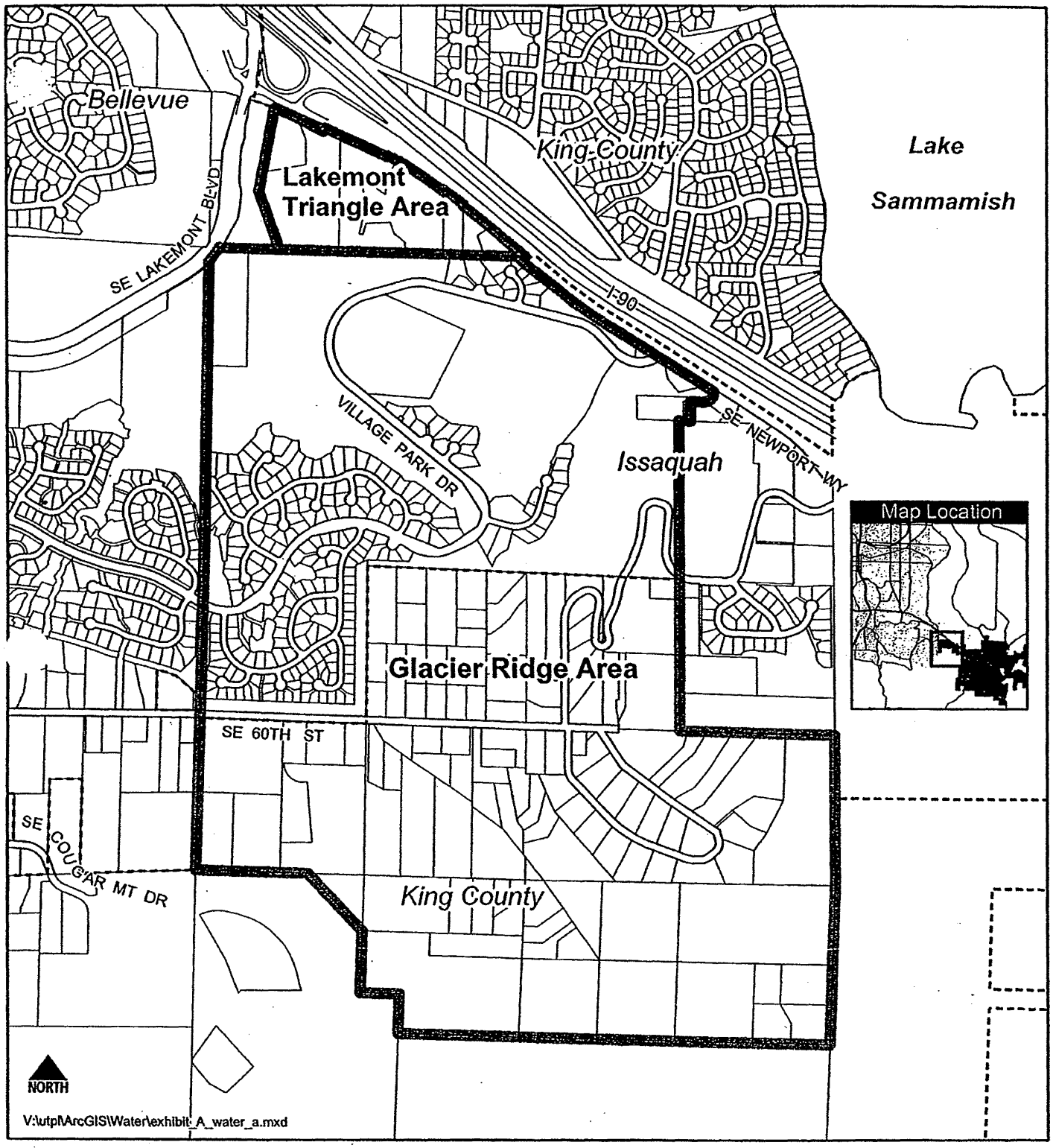
By Patricia Cole
Its Assist. City Attorney
Dated 6-13-05

CITY OF BELLEVUE ("Bellevue")

By [illegible]
Its Deputy City Manager
Dated 9/15/05

Issaquah Legal Counsel
By [illegible]
Its
Dated 9/6/05

CITY OF ISSAQUAH ("Issaquah")
By Ava Frisinger
Its Mayor
Dated 9/6/05



of Bellevue
Department
GIS Services

Plot Date: 5/11/2005

Exhibit A

Glacier Ridge & Lakemont Triangle Areas of Issaquah

This map is a graphic representation derived from the City of Bellevue Geographic Information System. It was designed and intended for City of Bellevue staff use only; it is not guaranteed to survey accuracy. This map is based on the best information available on the date shown on this map. Any reproduction or sale of this map, or portions thereof, is prohibited without express written authorization by the City of Bellevue.

NOTE: If you have specific questions concerning information contained on this map, please contact the sponsoring department as shown on this map.

This material is owned and copyrighted by the City of Bellevue.

EXHIBIT B

LIST OF FACILITIES NEEDED TO SUPPLY WATER
TO THE NEWPORT WAY CONNECTION WITH ISSAQUAH

1. Parksite Reservoir (520 Elevation) – 2.0 MG
2. Newport Reservoir (520 Elevation) – 3.0 MG
3. 3 Regional Supply Inlet Stations (Eastgate, SE 28th, and 161st SE Inlets)
4. 3,000 lf of 24" Pipe (Located in Newport Way between 161st SE and 163rd SE; and in 163rd SE and 164th Way between Newport Way and the Newport Reservoir)
5. 7,500 lf of 16" Pipe (Located in 148th SE and under I-90 between the SE 28th Inlet and SE 36th; and in 161st SE and under I-90 between Newport Way and a point just north of Eastgate Way; and in an easement between Newport Way and the Parksite Reservoir)
6. 17,200 lf of 12" Pipe (Located in SE 28th and easements roughly paralleling I-90 between the SE 28th Inlet and 161st SE; and in Newport Way between 163rd SE and the Newport Way Issaquah Connection; and in Newport Way between 145th SE and 150th SE; and in 145th SE, SE 42nd Place, 146th SE, Eastgate Drive and 148th SE between Newport Way and SE 36th; and in 150th SE, SE 38th and SE 36th from Newport Way to 148th)

LIST OF FACILITIES NEEDED TO SUPPLY WATER
TO THE SE 60TH CONNECTION WITH ISSAQUAH

1. Newport Pump Station (pumps from 520 Elevation to 850 Elevation)
2. 850 Elevation 12" Transmission Main (between the Newport Pump Station and the Cougar Mountain #1 Pump Station and Reservoir)
3. Cougar Mountain #1 Pump Station (pumps from 850 Elevation to 1150 Elevation)
4. 1150 Elevation 12" Transmission Main (between the Cougar Mountain #1 Pump Station and Reservoir to the Cougar Mountain #2 Pump Station and Reservoir)
5. Cougar Mountain #2 Reservoir (1150 Elevation) – 1.05 MG
6. 1150 Elevation Issaquah 12" Transmission Main (between the Cougar Mountain #2 Reservoir and the SE 60th Issaquah Connection)
7. 1150 Elevation Water Meter, Vault, Appurtenances (SE 60th Issaquah Connection)
8. Second Source of Supply Facilities for the SE 60th Issaquah Connection

LIST OF ADDITIONAL FACILITIES NEEDED TO SUPPLY WATER
TO THE FUTURE COUGAR MOUNTAIN ROAD CONNECTION WITH ISSAQUAH

1. Cougar Mountain #2 Pump Station (pumps from 1150 Elevation to 1465 Elevation) - existing facility
2. 1465 Elevation 12" Transmission Main (between the Cougar Mountain #2 Pump Station and Reservoir and the Cougar Mountain #3 Pump Station and Reservoir) - existing facility
3. Cougar Mountain #3 and 3A Reservoirs (1465 Elevation Reservoirs) – 2.0 MG and 0.3 MG – existing facility
4. 1465 Elevation Issaquah Transmission Main (between the Cougar Mountain #3 Reservoir and the Cougar Mountain Drive Issaquah connection) – future facility
5. 1465 Elevation Water Meter, Vault, and Appurtenances (Cougar Mountain Drive Issaquah Connection) – future facility

Exhibit C

Bellevue/Issaquah Percentage Use of Joint Use Facilities

Based on the number of Equivalent Residential Units (ERU's) served

For the Area Identified in the 2/6/90 Lakemont Triangle Interlocal Agreement

Exhibit B of the 2/6/90 agreement identifies Bellevue regional facilities that provide water service to this area and estimates that 6372 ERU's in Bellevue are served by these facilities (Issaquah ERU not included).
The 2/6/90 agreement allows 600 MF Units to be served in Issaquah. 600 MF x 0.62 MF/SF = 372 ERU.
Therefore, the facilities identified in Exhibit B benefit each city by the following percentage breakdown:

6372	Bellevue ERU's served	94.48 % of Total ERU's
372	Issaquah ERU's served	5.52 % of Total ERU's
6744	TOTAL	

For the Area Identified in the 4/18/01 Glacier Ridge Interlocal Agreement

Number of ERU's served in each pressure zone

Bellevue	Issaquah	Pressure Zone	Data Source
1300 ERU	0 ERU	850 ft. HGL	1995 Newport P.S. Capacity Check Calculations
979 ERU	0 ERU	1000 ft. HGL	1999 Cougar Mt. Storage Requirement Calculations
1439 ERU	550 ERU	1150 ft. HGL	1999 Cougar Mt. Storage Requirement Calculations
555 ERU	0 ERU	1300 ft. HGL	1999 Cougar Mt. Storage Requirement Calculations
402 ERU	150 ERU	1465 ft. HGL	1999 Cougar Mt. Storage Requirement Calculations
169 ERU	0 ERU	1575 ft. HGL	1999 Cougar Mt. Storage Requirement Calculations

Newport Pump Station (520 zone to 850 zone)

4844	Bellevue ERU's served	87.37 % of Total ERU's
700	Issaquah ERU's served	12.63 % of Total ERU's
5544	TOTAL (850 through 1575 zones)	

850 Zone 16"/12" Transmission Main (Newport P.S. to Cougar Mt. #1 P.S. & Res.)

Approximate length of this pipe: 3,500 ft. of 16" 5,200 ft. of 12"

4844	Bellevue ERU's served	87.37 % of Total ERU's
700	Issaquah ERU's served	12.63 % of Total ERU's
5544	TOTAL (850 through 1575 zones)	

850 Zone to 1150 Zone Cougar Mt. #1 Pump Station

3544	Bellevue ERU's served	83.51 % of Total ERU's
700	Issaquah ERU's served	16.49 % of Total ERU's
4244	TOTAL (1000 through 1575 zones)	

1150 Zone Cougar Mt. #2 Reservoir (1.0 MG)
Actual storage required by this reservoir's direct service area is approx. 1.77 MG*.
0.30 MG of this storage is for fire flow (2500 gpm for 2 hrs.) and benefits each City equally.

3544	Bellevue ERU's served	83.51 % of Total ERU's
700	Issaquah ERU's served	16.49 % of Total ERU's
4244	TOTAL (1000 through 1575 zones)	

Percentage share of storage adjusted to account for fire storage being shared equally (50% each):

77.83 % Bellevue [(83.51% x 1.47 MG + 50% x 0.30 MG) / 1.77 MG]
22.17 % Bellevue [(16.49% x 1.47 MG + 50% x 0.30 MG) / 1.77 MG]

1150 Zone 12" Transmission Main (Cougar Mt. #1 P.S. to Cougar Mt. #2 P.S & Res.)
Approximate pipe length: 1,300 ft

3544	Bellevue ERU's served	83.51 % of Total ERU's
700	Issaquah ERU's served	16.49 % of Total ERU's
4244	TOTAL (1000 through 1575 zones)	

1150 Zone 12" Issaquah Transmission Main (1150 Reservoir to Issaquah Supply Meter)
Approximate pipe length: 4600 ft

Since this main also provides benefit to Bellevue customers, it will be considered to benefit each city equally.

50 % Bellevue
50 % Issaquah

1150 Zone second supply to Issaquah (required by this Interlocal agreement)
This additional supply is provided by the following facilities:

1465 Zone to 1300 Zone PRV (vault contains a 6" and a 2" PRV)
Approximately 1500 ft. of pipe in the 1300 Zone
1300 Zone to 1150 Zone PRV (vault contains a 6" and a 2" PRV)
Approximately 1800 ft. of pipe in the 1150 Zone

Since these facilities also provide benefit to Bellevue customers, they will be considered to benefit each city equally.

50 % Bellevue
50 % Issaquah

1150 Zone to 1465 Zone Cougar Mt. #2 Pump Station

1126	Bellevue ERU's served	88.24 % of Total ERU's
150	Issaquah ERU's served	11.76 % of Total ERU's
1276	TOTAL (1300 through 1575 zones)	

1465 Zone Cougar Mt. #3 Reservoirs (2.0 MG & 0.3 MG)

Actual storage required by this reservoir's direct service area is approx. 1.53 MG*.
0.18 MG of this storage is for fire flow (1500 gpm for 2 hrs.) and benefits each City equally.

1126	Bellevue ERU's served	88.24 % of Total ERU's
150	Issaquah ERU's served	11.76 % of Total ERU's
1276	TOTAL (1300 through 1575 zones)	

Percentage share of storage adjusted to account for fire storage being shared equally (50% each):

83.74 % Bellevue [(88.24% x 1.35 MG + 50% x 0.18 MG) / 1.53 MG]
16.26 % Bellevue [(11.76% x 1.35 MG + 50% x 0.18 MG) / 1.53 MG]

1465 Zone 12" Transmission Main (Cougar Mt. #2 P.S. to Cougar Mt. #3 P.S & Res.)

Approximate pipe length: 3,400 ft

1126	Bellevue ERU's served	88.24 % of Total ERU's
150	Issaquah ERU's served	11.76 % of Total ERU's
1276	TOTAL (1300 through 1575 zones)	

Future 1465 Zone 8" Issaquah Transmission Main (1465 Reservoir to Issaquah Supply Meter)

Approximate expected pipe length: 900 ft

Since this main is also expected to provide benefit to Bellevue customers,
it will be considered to benefit each city equally.

50 % Bellevue
50 % Issaquah

*** Note: Some of the storage required by the 1150 reservoir service area is located in the 1465 reservoirs.**

0346-RES
03/09/99

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 6307

A RESOLUTION authorizing the City Manager to execute an amendment to wholesale water service agreements with the City of Issaquah.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is authorized and directed to execute that certain Amendment to Wholesale Water Service Agreement from City of Bellevue to City of Issaquah Service Area (Urban Areas), a copy of which Amendment has been given Clerk's Receiving No. 26899.

PASSED by the City Council this 15th day of March, 1999, and signed in authentication of its passage this 15th day of March, 1999.

(SEAL)

Chuck Mosher

Chuck Mosher, Deputy Mayor

Attest:

Myrna L. Basich

Myrna L. Basich, City Clerk

AMENDMENT TO WHOLESALE WATER SERVICE AGREEMENT
FROM
CITY OF BELLEVUE
TO
CITY OF ISSAQUAH SERVICE AREA
(URBAN AREAS)

FILED NO. 27115
CITY OF BELLEVUE
DATE 4-21-99
M. TOMOCO
CITY CLERK'S OFFICE
Res 6307

THIS AMENDMENT ("Amendment") is entered into by the CITY OF BELLEVUE ("Bellevue") and the CITY OF ISSAQUAH ("Issaquah") to amend their existing agreements for wholesale water service from Bellevue to Issaquah on the terms specified herein.

RECITALS

WHEREAS, Bellevue and Issaquah have an existing Wholesale Service Water Agreement for Glacier Ridge/Montreux dated August 30, 1989, attached as Exhibit A ("Montreux Agreement"), and for the Lakemont Triangle area dated April 17, 1990, attached as Exhibit B ("Lakemont Triangle Agreement");

WHEREAS, Bellevue and Issaquah wish to continue their mutual efforts for utility service and support regional solutions for water service by extending regional water supply to the urban areas within Issaquah;

WHEREAS, the respective Bellevue and Issaquah City Councils have reviewed and approved extension of water service to meet Issaquah's growth needs and to modify the current interlocal agreements, with the concurrence of the City of Seattle; and

WHEREAS, Seattle has approved the provisions of Bellevue's wholesale water service to Issaquah as reflected in Exhibit D;

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is acknowledged, Bellevue and Issaquah agree as follows:

1. Bellevue Wholesale Distribution. Bellevue shall provide wholesale water service to Issaquah as follows:

1.1 Glacier Ridge/Montreux. Water shall continue to be provided as set forth in the Montreux Agreement, Exhibit A.

1.2 Lakemont Triangle. Water shall continue to be provided as set forth in the Lakemont Triangle Agreement, Exhibit B, except after completion of the Issaquah Regional Facilities described below, Issaquah may connect the Lakemont Triangle service area to the Issaquah Regional Facilities at a connection point mutually approved by the parties.

1.3 Regional Facilities for Urban Areas. Water shall be provided to Issaquah for Issaquah's retail distribution and sale in accordance with the following terms of this Amendment.

2. Description of Regional Facility Extension. The extension of the wholesale water distribution system under this Amendment shall consist generally of the following (collectively "Issaquah's Regional Facilities"):

2.1 Supply Amount. Water supply in the quantity up to 1.7 MGD for average annual daily demand and 4.2 MGD for peak day demand shall be provided by Bellevue via its Water Purveyor Contract with Seattle until the expiration of that purveyor contract (i.e. December 31, 2011).

2.2 Distribution Route; Meter. Issaquah's Regional Facilities shall connect to Bellevue's existing 24-inch line along Newport Way east of Bellevue's Eastgate Inlet. Issaquah shall install a master meter meeting the standards in Exhibit C at a mutually approved location in order to measure the wholesale quantity of water conveyed to the Issaquah Regional Facilities. Issaquah shall own the master meter and it shall be capable of readings from remote locations by Bellevue and Seattle. As of the date of this Amendment, the Issaquah Regional Facilities shall consist of the pipes and other capital facilities generally described on Exhibit C. Issaquah may install additional meters and may modify or add components as part of the Regional Facilities so long as the system operates consistent with this Amendment, including the operating standards in Exhibit C. Bellevue shall approve the location, type and make of master meter. The master meter shall be calibrated as recommended by the manufacturer but not less than every three years.

2.3 Operating Standards. The parties shall meet the operating standards set forth in Exhibit C.

2.4 Reliability. Bellevue's wholesale service to Issaquah shall, to the extent feasible, have the same continuity of service that Bellevue provides its own customers.

2.5 Water Quality. Each party will be responsible for complying with applicable state and federal water quality standards as to their respective local water systems. The parties acknowledge that water quality issues may arise in the future due to changes in law or operational conditions. The parties agree to coordinate and to work together in good faith to identify and implement equitable and cost-effective solutions to any such matters. Each party shall meet the standards as set by Bellevue's agreement with Seattle or a future agreement between Bellevue, Issaquah, CWA or other regional water supplier.

3. Seattle Purveyor Contract. Seattle has approved this amendment to wholesale water service to Issaquah pursuant to the existing Water Purveyor Contract between the City of Seattle and Bellevue, Section II.B, Resale to Other Parties. Issaquah agrees for its Regional Facilities to abide by the terms and conditions imposed by the Seattle Water Department under its water purveyor contract with Bellevue, including but not limited to shortage sharing, hydraulic gradient, demand charges, cross-connection controls, regional conservation programs,

water quality testing, and other applicable standards, and those terms and conditions are incorporated herein by reference as if fully set forth. Issaquah will participate in Seattle's 1% conservation initiative as to the water received from the regional system.

4. **No Purveyor Status.** This Amendment does not convey purveyor status or water supply rights from the City of Seattle to Issaquah. Issaquah shall not be permitted to sell water outside Issaquah's direct service area (as it may be amended from time to time) without permission from both Bellevue and Seattle, including sales of surface water purchased under this Amendment as well as current Issaquah ground water supplies which, if sold, would result in increased demands for wholesale water under this Amendment. For service within its service area, Issaquah may install additional pipes and facilities connecting to or served by the Regional Facilities, which are not defined as the "Regional Facilities" under this Amendment and do not require approval from Seattle and Bellevue so long as those additions are consistent with the operating obligations and standards for the Regional Facilities set forth in this Amendment. Water supplied under this Amendment shall not be used to supply new golf courses within Issaquah's service area either directly or through substitution from existing Issaquah sources.

5. **Responsibility for Permitting, Construction and Operation.** As between Bellevue and Issaquah, Issaquah shall be solely responsible for the design, engineering, permitting, and construction of all facilities necessary to provide water under this Amendment. Issaquah shall be the lead agency for SEPA. The parties acknowledge Issaquah may enter into separate agreements with responsible private developers or entities to finance and construct the Issaquah Regional Facilities, which upon completion shall be conveyed to and owned by Issaquah. Bellevue shall not have any responsibility for construction or maintenance of the Issaquah Regional Facilities.

6. **Rates; Billing.** Based on the metering performed under Section 2.2 of this Amendment, Bellevue shall bill Issaquah for water deliveries on a monthly basis. Bellevue's billings to Issaquah shall be composed of two elements:

6.1 Seattle component: billings for water supply based on the following multipliers of Seattle's New Water Rates to Bellevue for the water supplied to Issaquah: (a) 1.00 times the New Water Rate for the winter period; and (b) 1.52 times the New Water Rate for the summer period; and

6.2 Bellevue component: a charge of $0.07 per CCF for Bellevue's facilities and administrative overhead. Bellevue may adjust the charge annually based on normal inflation without further review and every two years or more based on an acceptable study of administrative and operation costs. Bellevue will pay the Seattle component (Section 6.1) to the Seattle Public Utilities and retain the Bellevue component (Section 6.2) to compensate for Bellevue's costs.

Issaquah shall also reimburse Bellevue for any costs that Bellevue incurs associated with increased capital improvements, operations or maintenance as a result of supplying Issaquah water under thisAmendment. An example would be the cost associated with a new pump station

at 163rd and Newport Way which may be required to meet the minimum hydraulic gradeline specified under Exhibit C.

7. **Additional Purveyor Connections to Issaquah Regional Facilities.** Issaquah will not unreasonably restrict access to the Issaquah Regional Facilities by other water purveyors in the region, in the form of an interlocal agreement between Issaquah and the connecting purveyor, subject to (a) approval by Seattle and Bellevue by separate agreement with such connecting purveyor, (b) the connecting purveyor's payment to Issaquah, if Issaquah requests, of a fair share contribution of the costs of Issaquah's Regional Facilities and payment of charges for Issaquah's operational and wheeling expenses, (c) no adverse impact on Issaquah's water service in its service area (*e.g.* including but not limited to reduction in pressure), and (d) consistency with adopted GMA plans for issues related solely to water supply and transmission services.

8. **Cascade Water Alliance.** After the expiration date of Bellevue's Water Purveyor Contract with Seattle on December 31, 2011, water supply to Issaquah will be subject to future agreement between Bellevue, Issaquah and the Cascade Water Alliance ("CWA") or other regional purveyor or sooner if CWA forms prior to December 31, 2011. Upon execution of a wholesale agreement between the CWA and Seattle and upon Bellevue's joinder in the CWA, Issaquah is required to join the CWA to continue to receive wholesale water under this Amendment. Potential transfer of ownership or capacity rights of Issaquah's Regional Facilities from Issaquah to the CWA would be subject to future agreement between Issaquah and the CWA.

9. **Cooperation.** Bellevue and Issaquah shall cooperate to implement this Amendment.

10. **Dispute Resolution.** Each City shall designate representatives for the purposes of administering this Amendment and resolving disputes arising from this Amendment. Each City shall notify the other in writing of its designated representatives. Each City may change its designated representatives by written notice to the other.

Disputes that cannot be resolved by the representatives designated herein shall be referred to the chief executive officer of each City for mediation and/or settlement. If such dispute is not resolved within sixty (60) days, either City, or both of them, may file a demand for arbitration, in which event the issue shall be submitted to an arbitrator acceptable to both parties and the matter shall be arbitrated pursuant to the rules and procedures of the American Arbitration Association. The decision of the arbitrator shall be final and binding on both Cities.

11. **Liability/Hold Harmless.** Bellevue shall indemnify, defend, and hold harmless the City of Issaquah, its officers, agents and employees, from and against any and all claims, losses or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Bellevue, its officers, agents and employees, in the performance of this Amendment. With respect to the performance of this Amendment and as to claims against Issaquah, its officers, agents and employees, Bellevue expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend

and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. This paragraph shall not apply to any damage resulting from the negligence of Issaquah, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Issaquah, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Bellevue, its officers, agents, and employees.

Issaquah shall indemnify, defend, and hold harmless the City of Bellevue, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Issaquah, its officers, agents and employees, in the performance of this Amendment and as to claims against Bellevue, its officers, agents and employees, Issaquah expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Issaquah. This paragraph shall not apply to any damage resulting from the negligence of Bellevue, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Bellevue, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Issaquah, its officers, agents and employees.

12. Effective Date. This Amendment is effective upon the date of the last signature below. Notwithstanding any other provision of this Amendment, Issaquah may elect (by delivery of a letter to Bellevue) not to extend and construct the Regional Facilities, in which event Sections 2 through 11 of this Amendment shall not be effective.

13. No Other Changes. Except as expressly amended in this Amendment, there are no changes to the Montreux Agreement (Exhibit A) and the Lakemont Triange Agreement (Exhibit B), which remain in effect in accordance with their terms.

CITY OF BELLEVUE

By: Lynda M. Easton

Its: Deputy City Manager

Dated: 4-20-99

Approved as to form:

By: _____
City Attorney

CITY OF ISSAQUAH

By: Ava Frisinger

Its: Mayor

Dated: 4/2/99

Approved as to form:

By: George Mauer
City Attorney

Attest:
CITY CLERK

by: Linda Ruehle

EXHIBITS:

A Montreux Wholesale Agreement
B Lakemont Triangle Wholesale Agreement
C Description of Regional Facilities and Operational Standards.
D Letter from Seattle Public Utilities to Bellevue

FILED NO. 15180
CITY OF BELLEVUE
DATE 2/6/90
CITY CLERK

ORIGINAL

AGREEMENT FOR WHOLESALE SANITARY SEWER AND WATER SERVICE Res. 5232

FROM
CITY OF BELLEVUE

TO
CITY OF ISSAQUAH SERVICE AREA

LAKEMONT TRIANGLE

WHEREAS: A sphere of influence agreement has been reached between the City of Bellevue (Bellevue) and the City of Issaquah (Issaquah) that outlines the limits of a future boundary between the Cities, and

WHEREAS: It is desirable that the Cities' future sanitary sewer and water service boundaries correspond with the Cities' future corporate limits, and

WHEREAS: Bellevue sewer and water facilities now exist and may be logically extended to provide adequate service to certain areas within Issaquah's service area (shown on Exhibit C and labeled as Lakemont Triangle), and

WHEREAS: Issaquah sanitary sewer and water facilities are currently a greater distance from the Lakemont Triangle service area, and

WHEREAS: An analysis of sanitary sewer and water service options for Issaquah to serve the Lakemont Triangle service area, concluded that the least cost alternative for sanitary sewer and water service would be through an agreement for joint use of sanitary sewer facilities and a wholesale water service agreement between Bellevue and Issaquah, and

WHEREAS: It is desirable to provide sanitary sewer and water service to the public in the least costly manner, consistent with jurisdictional boundaries, and

WHEREAS: It is recognized that water service to the Lakemont Triangle service area will not solve Issaquah's long term water needs and that other solutions will be needed to serve future growth demands.

AGREEMENT FOR WHOLESALE SANITARY SEWER & WATER SERVICE
FROM CITY OF BELLEVUE TO CITY OF ISSAQUAH - LAKEMONT TRIANGLE

NOW, THEREFORE be it agreed by the Cities of Bellevue and Issaquah that:

1. This Agreement addresses the provision of wholesale sanitary sewer and water service to a limited area of Issaquah's service area. It is not the intent of this Agreement to address facilities that would be capable of serving any additional portion of Issaquah's service area. Such facilities would require a separate agreement.

2. Bellevue agrees to provide wholesale sanitary sewer and water service to Issaquah for the Lakemont Triangle service area only for sanitary sewer conveyance and for retail water distribution and sale in accordance with the terms of this Agreement.

3. The number of Multi-Family Units to be served within the area shall not exceed 600 unless it is mutually agreed that additional units may be served.

4. Bellevue shall supply water from a 12" diameter main on Newport Way at 17300 block. This 12" main will be new constuction by the City of Issaquah, and shall be extended from an existing 12" main located at approximately SE 42nd Place and SE Newport Way, west of the Lakemont Triangle. The estimated total length of new main will be 6350 feet. Issaquah shall be responsible for obtaining all necessary permits associated with the new 12" main. By executing this interlocal agreement, Bellevue agrees to endorse Issaquah's efforts to obtain the permits.

Ownership of the new water line from the point of connection to the existing Bellevue 12" main, shall be Issaquah's including that portion of the new main which will be within Bellevue jurisdictional boundaries. Bellevue shall not tap into Issaquah's 12" main without Issaquah's written approval. Such approval shall not be unreasonably withheld.

5. Bellevue shall provide a maximum fire flow of 2000 GPM measured at the intersection of Newport Way and 180th Ave. It is understood that the actual rate of flow at the point of use is dependent upon the hydraulic behavior of the distribution system between the connection point and the point of use and Bellevue therefore makes no representation with regard thereto.

6. Bellevue agrees that the wholesale water service it provides to Issaquah will meet the same standards of reliability, rate of flow and quality, that it provides to its retail service customers.

7. The Water Purveyor Contract between the City of Seattle and the City of Bellevue, Section II.B. Resale to Other Parties, requires written consent from Seattle prior to the execution of this Agreement.

Issaquah agrees, for the Lakemont Triangle service area, to abide by the standard terms and conditions that are imposed by the Seattle Water Department as well as those imposed by Bellevue, including but not limited to cross-connection controls, water quality testing, water conservation and other applicable standards and those terms and conditions are hereby incorporated by reference herein as if set forth in full. This Agreement does not convey purveyor status or water supply rights from the City of Seattle to Issaquah.

8. The basis for determining Issaquah's fair share of the water capital cost of facilities shall be mutually accepted engineering standards and cost estimates related to sizing of storage, pumping, distribution and transmission facilities as listed on Exhibit B.

9. All water supplied to the Lakemont Triangle service area by Bellevue shall be metered by individual service meters to all water users. The metering device(s) shall be owned by Issaquah and be periodically calibrated in accordance with manufacturer's specifications to quarantee accuracy. If, due to water quality, Issaquah needs to periodically flush its main, Issaquah shall install a metered flushing station to record consumptions.

10. Issaquah shall read the individual meters on a bi-monthly schedule. Issaquah shall submit a payment to Bellevue for water consumption. The water shall be charged at Bellevue's standard residential water rate.

11. Bellevue agrees to allow Issaquah to connect the Issaquah sewer main serving the Lakemont Triangle area, into an existing Bellevue sewer facility in the vicinity of SE Newport Way and Lakemont Blvd. (future). (See Exhibit C.)

12. Issaquah agrees to pay Bellevue for their fair share of the sewer facilities on West Lake Sammamish which must be upgraded to serve both the Lakemont Triangle area and proposed Bellevue needs. The basis for determining the fair share computations shall be mutually accepted engineering standards related to sizing of the sewage facilities. (See Exhibit A) Upgrading of existing sewer facilities will include approximately 6000 L.F. of sewer trunk at an estimated cost of $1,500,000.00 (1989 dollars).

Upgrading by Bellevue of the sewer facilities to meet additional capacity demands resulting from proposed Lakemont Triangle Development, and payment by Issaquah for its associated costs are conditional upon a signed commitment from the Developers to Issaquah. A signed commitment from the Developer will be required by Issaquah prior to building permit approval, which will include the portion for which the Developer must contribute toward the sanitary sewer upgrade. Failure by Developers to provide a signed

commitment in a timely manner prior to finalization of plans to upgrade the Bellevue sewer, will result in the reduction of the sewer upgrade by Bellevue, shall release Issaquah from all monetary responsibility for that portion of the upgrade costs and Issaquah would not be able to connect to Bellevue's sewer facilities.

13. Bellevue shall construct, own and maintain all sanitary sewer facilities within its service area that are jointly used by Bellevue and Issaquah.

14. Bellevue agrees to bill and Issaquah agrees to pay a monthly user fee of $.87 per Multi-Family Unit per month for sewage conveyance capacity, after construction. This rate includes charges for maintenance and operation of the jointly used facilities in perpetuity and will not be subject to additional charges for maintenance and operation.

15. Bellevue and Issaquah agree that the sanitary sewer and water system improvements needed to serve the area are to be provided in response to development activity, hence the construction of the facilities is dependent upon Developer contributions and construction. Isssaquah's fair share of the capital cost of facilities to serve the area shall be provided from Developer cash contributions and/or Developer facility construction.

16. Issaquah shall construct, own and maintain all sanitary sewer and water facilities that are solely used for service to Issaquah, regardless of the location of the facilities.

17. Issaquah agrees to pay Bellevue's applicable general facilities fees for each Multi-Family Unit that is served. These fees will be collected by Issaquah on a unit by unit basis at the time that service is granted under Building Permit approval. An annual payment will be made to Bellevue representing the connection fees that were collected during the preceding twelve month period. The annual payment shall be made on or near December 31st of each year that new connections are added. A letter report shall accompany the payment, which include an accounting of the connections added during the year.

18. Bellevue agrees to obtain all necessary approvals and permits for serving and constructing the jointly used facilities.

19. Issaquah agrees to obtain all necessary approvals and permits for construction of the facilities that will solely serve Issaquah.

20. Dispute Resolution. Each City shall designate representatives for the purposes of administering this Agreement and resolving disputes arising from this Agreement. Each city shall notify the other in writing of its designated representatives. Each City may change its designated representatives on notice to the other.

Disputes that cannot be resolved by the representatives designated herein shall be referred to the Chief Executive Officer of each City for mediation and/or settlement. If not resolved by them within sixty (60) days, either City, or both of them, may file a demand for arbitration, in which event the issue shall be submitted to an arbitrator acceptable to both parties and the matter shall be arbitrated pursuant to the rules and procedures of the American Arbitration Association. The decision of the arbitrator shall be final and binding on both Cities.

21. Liability/Hold Harmless. Bellevue shall indemnify, defend, and hold harmless the City of Issaquah, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Bellevue, its officers, agents and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Issaquah, its officers, agents and employees, Bellevue expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. This paragraph shall not apply to any damage resulting from the negligence of Issaquah, its agents and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Issaquah, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Bellevue, its officers, agents and employees.

Issaquah shall indemnify, defend and hold harmless the City of Bellevue, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Issaquah, its officers, agents and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Bellevue, its officers, agents and employees, Issaquah expressly waives its immunity under Title 51 of the

AGREEMENT FOR WHOLESALE SANITARY SEWER & WATER SERVICE
FROM CITY OF BELLEVUE TO CITY OF ISSAQUAH - LAKEMONT TRIANGLE

Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Issaquah. This paragraph shall not apply to any damage resulting from the negligence of Bellevue, its agents and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Bellevue, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Issaquah, its officers, agents and employees.

HEREBY AGREED TO AND ACCEPTED BY this the 17th day of April, 19~~8~~90.

CITY OF BELLEVUE

Pam Bissonnette

CITY OF ISSAQUAH

Rowan C Hinds

Mayor

Approved as to form:

Assistant City Attorney

Wayne Osvalia 3/14/90

City Attorney

52:50

EXHIBIT A

COST ALLOCATION FOR
SOUTH VASA PARK SEWER TRUNK

Issaquah will serve 600 Multi-Family Units (360 Equiv. Single Family Units) via a sewer pump station. Normally peak flow from 600 MF Units would be approximately 200 gpm, it is anticipated that the pump station will be sized for around 275 gpm, which is equivalent to 825 MF or 495 SF Units. For flow demand and determining Issaquah's share of the trunk costs, 495 Equiv. SF Units is being used for Issaquah. The total number of projected equivalent single family units in the South Vasa Trunk is 2009, including Issaquah.

1) Cost for constructing new trunk.

The estimated project cost is $1,567,000. Therefore, the cost per Equiv. SF Unit is $1,567,000/2009 = $780. **

2) Replacement and M&O costs.

Replacement cost = $1,560,000
Anticipated life of trunk = 75 years
Replacement cost per year = $1,560,000/75 = $20,800
Assume annual M&O cost = $1000

Total annual cost = $21,800

Issaquah's share = 495/2009 = 25%

Issaquah's cost per year = .25($21,800) = $5,450

Cost per MF unit per month = $5,450/600 SF units/12 months
= $0.75 per month

3) Additional cost for admin., insurance, liability, etc. +15% = $0.12

TOTAL MONTHLY CHARGE PER MF UNIT PER MONTH = $0.87

** This is in 1989 dollars, interest will be added to the cost for connection made in future years.

EXHIBIT B

COST OF
SOUTH 520 ZONE REGIONAL FACITITIES

1) Estimated ultimate equivalent single family units

Ultimate Max. day demand (MDD) = 4.9 MGD
(1985 Water Comp. Plan, pg. 3-12)

Avg. Day Demand per capita = 80 gpcd
3.1 persons per SF unit
ADD per equiv. SF unit = 80 gpcd X 3.1 = 248 gpd
MDD = ADD X 2.4
MDD for equiv. SF = 248 gpd X 2.4 = 769 gpd
(All from 1986 Water Comp. Plan Amend., pg. 11 & 12)

Estimated ultimate SF units in South 520 Zone =
4,900,000 MGD / 769 gpd = 6372

2) Estimated replacement cost of existing regional facilities:

2MG Steel Reservoir	= $ 800,000	
3MG Concrete Reservoir	= $1,300,000	
*2 Supply Inlet Stations	= $1,350,000	(60% = $810,000)
*8500 lf - 24" Pipe	= $1,490,000	(60% = $894,000)
*9400 lf - 16" Pipe	= $1,175,000	(60% = $705,000)
*17200 lf - 12" Pipe	= $1,720,000	(60% = $1032,000)

TOTAL = $5,541,000

* These facilities provide service to other areas, therefore, only 60% will be allocated to the South 520 Zone.

Estimated depreciation of the facilities:

Reservoirs
age 13 years - expected useful life 100yrs
depreciation = 13/100 = 13%

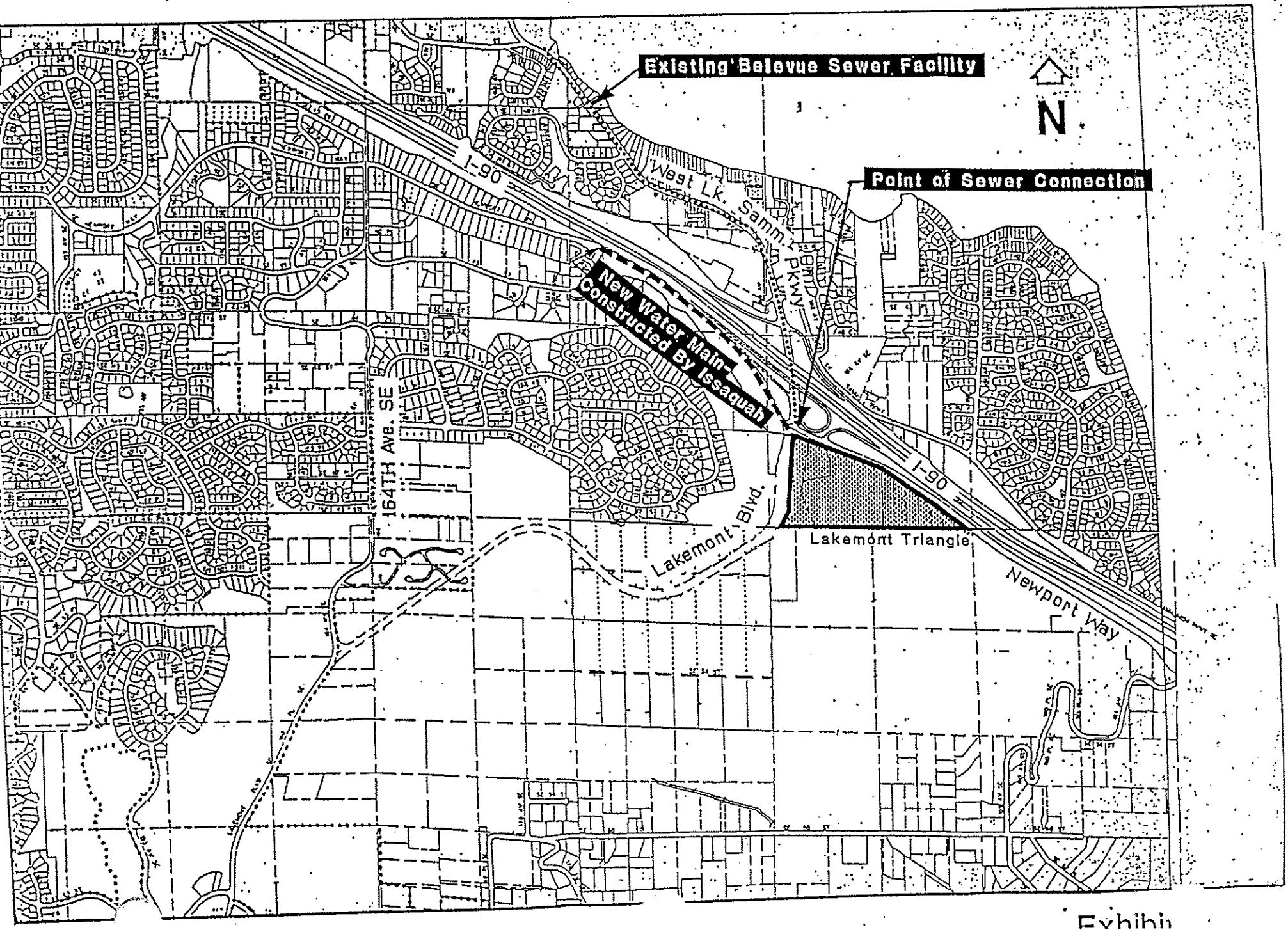
Inlets - new no depreciation

Pipe
avg age 16 years - expected life 75yrs
depreciation = 16/75 = 21%

Depreciation value
Reservoirs = $2,100,000 X .13 = $273,000
Pipes = $3,441,000 X .21 = $722,000

TOTAL FACILITIES REPLACEMENT COSTS MINUS DEPRECIATION
$5,541,000 - $995,000 = $4,546,000

ESTIMATED COST PER EQUIVALENT SF UNIT = $4,546,000 / 6372
= $715


Existing Bellevue Sewer Facility
N
Point of Sewer Connection
I-90
West Lk. Samm. Pkwy
New Water Main Constructed By Issaquah
164TH Ave. SE
Lakemont Blvd.
Lakemont Triangle
I-90
Newport Way

Exhibit

Daniel

Bell / Issaquah

ORIGINAL

FILED NO. 17
CITY OF BELLEVUE
DATE 7/25/89
CITY CLERK
O. Connell
Res. 5159

AGREEMENT FOR WHOLESALE WATER SERVICE
FROM
CITY OF BELLEVUE
TO
CITY OF ISSAQUAH SERVICE AREA
(GLACIER RIDGE)

WHEREAS: A sphere of influence agreement has been reached between the City of Bellevue (Bellevue) and the City of Issaquah (Issaquah) that outlines the limits of a future boundary between the Cities, and

WHEREAS: It is desirable that the Cities future water service boundaries correspond with the Cities future corporate limits, and

WHEREAS: Bellevue has now or will in the future be extending water system facilities to serve areas adjacent to, or in close proximity of, its side of the sphere of influence boundary, and

WHEREAS: Bellevue water facilities now exist or will be constructed with a hydraulic elevation that would be capable of providing adequate service pressures to certain areas within Issaquah's service area [(shown on Exhibit 1 and labeled as Glacier Ridge (GR)], and

WHEREAS: Issaquah water facilities are currently a greater distance from the GR service area, and

WHEREAS: An analysis of water service options for Issaquah to serve the GR area, which was conducted by CH2M Hill for Issaquah, concluded that the least cost alternative for water service would be through a wholesale/retail agreement between Bellevue and Issaquah, and

WHEREAS: It is desirable to provide water service to the public in the least costly manner, consistent with jurisdictional boundaries, and

WHEREAS: It is recognized that water service to the GR area will not solve Issaquah's long term water needs and that other solutions will be needed to serve future growth demands.

NOW, THEREFORE be it agreed by the Cities of Bellevue and Issaquah that:

1. Bellevue agrees to provide wholesale water service to Issaquah for the GR area only for retail distribution and sale in accordance with the terms of this agreement.

2. This agreement addresses the provision of wholesale water service to a limited area of Issaquah's water service area. It is not the intent of this agreement to address facilities that would be capable of serving any additional portion of Issaquah's water service area. Such facilities would require a separate agreement.

3. The number of Equivalent Residential Units (ERU's) to be served within the area shall not exceed 700 unless it is mutually agreed that additional ERU's may be served. An ERU shall be defined as being equal to one for each single family detached dwelling, and shall be based upon a mutually agreeable formula for all other uses.

4. Bellevue shall supply water from its 1,150 operating zone, hence the maximum service elevation from this operating zone (without repumping) is approximately 1,050 feet above sea level. Bellevue shall provide a maximum fire flow rate of 2,500 gpm measured at the point of interconnection. It is understood that the actual rate of flow at the point of use is dependent upon the hydraulic behavior of the distribution system between the connection point and the point of use and Bellevue therefore makes no representation with regard thereto.

5. Bellevue agrees that the wholesale service it provides to Issaquah will meet the same standards of reliability, rate of flow and quality, that it provides to its retail service customers. To enhance system reliability, a second (emergency) connection point shall be developed by Bellevue and Issaquah prior to serving over 350 ERU's.

6. The Water Purveyor Contract between the City of Seattle and the City of Bellevue, Section II.B. Resale to Other Parties, requires written consent from Seattle prior to the execution of this Agreement.

Issaquah agrees, for the GR service area, to abide by the standard terms and conditions that are imposed by the Seattle Water Department as well as those imposed by Bellevue, including but not limited to cross-connection controls, water quality testing, water conservation and other applicable standards and those terms and conditions are hereby incorporated by reference herein as if set forth in full. This Agreement does not convey purveyor status or water supply rights from the City of Seattle to Issaquah.

7. Bellevue and Issaquah agree that the water system improvements needed to serve the area are to be provided in response to development activity, hence the construction of the facilities included on Exhibit 2 is dependent upon developer contributions and construction. Issaquah's fair share of the capital cost of facilities to serve the area shall be provided from developer cash contributions and/or developer facility construction directly to or in conjunction with the Developer(s) constructing the improvements included on Exhibit 2.

8. The basis for determining Issaquah's fair share of the capital cost of facilities shall be mutually accepted engineering standards related to sizing of storage, pumping, distribution and transmission facilities as listed on Exhibit 2.

9. Bellevue shall construct, own and maintain all facilities within its service area, that are jointly used by Bellevue and Issaquah through Developer Extension requirements. Bellevue is not obligated to provide these or additional facilities for this purpose at Bellevue's cost.

10. Issaquah shall construct, own and maintain all facilities that are solely used for service to Issaquah, regardless of the location of the facilities through Developer Extension requirements.

11. Issaquah agrees to pay Bellevue's applicable standard connection fees for each ERU that is served. These fees will be collected by Issaquah on a unit by unit basis at the time that water service is requested. An annual payment will be made to Bellevue representing the connection fees that were collected during the preceding twelve month period. The annual payment shall be made on or near December 31st of each year that new connections are added. A letter report shall accompany the payment, which includes an accounting of the connections added during the year.

12. All water supplied to the GR area by Bellevue shall be metered in a manner that is approved by Bellevue. The metering device(s) shall be owned by Bellevue and be periodically calibrated in accordance with manufacturer's specifications to guarantee accuracy.

13. Bellevue will record the water consumption on a bi-monthly schedule and submit a bill to Issaquah for water consumption. The water shall be charged at Bellevue's standard residential water rate. This rate includes charges for maintenance and operation of the jointly used facilities in perpetuity and will not be subject to additional charges for maintenance and operation.

14. Bellevue agrees to obtain all necessary approvals and permits for serving and constructing the jointly used facilities.

15. Issaquah agrees to obtain all necessary approvals and permits for construction of the facilities that will solely serve Issaquah.

16. The City of Issaquah may exercise the right of ownership for its fair share of facilities necessary to serve the area, but will require the consummation of a separate agreement which would address payments, water rates, maintenance and operations, ultimate replacement and other applicable terms and conditions.

17. Dispute Resolution. Each City shall designate representatives for the purposes of administering this Agreement and resolving disputes arising from this Agreement. Each City shall notify the other in writing of its designated representatives. Each City may change its designated representatives on notice to the other.

Disputes that cannot be resolved by the representatives designated herein shall be referred to the chief executive officer of each City for mediation and/or settlement. If not resolved by them within sixty (60) days, either City, or both of them, may file a demand for arbitration, in which event the issue shall be submitted to an arbitrator acceptable to both parties and the matter shall be arbitrated pursuant to the rules and procedures of the American Arbitration Association. The decision of the arbitrator shall be final and binding on both Cities.

18. Liability/Hold Harmless. Bellevue shall indemnify, defend, and hold harmless the City of Issaquah, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Bellevue, its officers, agents and employees, in the performance of this agreement. With respect to the performance of this agreement and as to claims against Issaquah, its officers, agents and employees, Bellevue expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. This paragraph shall not apply to any damage resulting from the negligence of Issaquah, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Issaquah, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Bellevue, its officers, agents, and employees.

Issaquah, shall indemnify, defend, and hold harmless the City of Bellevue, its officers, agents and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure of Issaquah, its officers, agents and employees, in the performance of this agreement. With respect to the performance of this agreement and as to claims against Bellevue, its officers, agents and employees, Issaquah expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any

claim brought by or on behalf of any employee of Issaquah. This paragraph shall not apply to any damage resulting from the negligence of Bellevue, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Bellevue, its agents or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Issaquah, its officers, agents, and employees.

19. Additional Terms and Conditions: The City of Bellevue agrees to provide water to the City of Issaquah under this agreement subject to the following additional terms and conditions:

1. The proposed area to be served by Issaquah with water provided under this agreement shall be physically contiguous to the incorporated limits of the City of Bellevue.

2. A notice of intent to annex the property described in Exhibit 3 hereto, the High Park property, shall be filed by the owners thereof and accepted by the Bellevue City Council within 15 days of approval of this agreement by the Bellevue City Council.

3. Annexation of the High Park property to the City of Bellevue shall be completed within 180 days of acceptance by the Bellevue City Council of the notice of intent to annex the High Park property.

If any of the above conditions are not met, this agreement shall terminate and be of no further force or effect.

HEREBY AGREED TO AND ACCEPTED BY this the 30th day of August, 1989.

CITY OF BELLEVUE

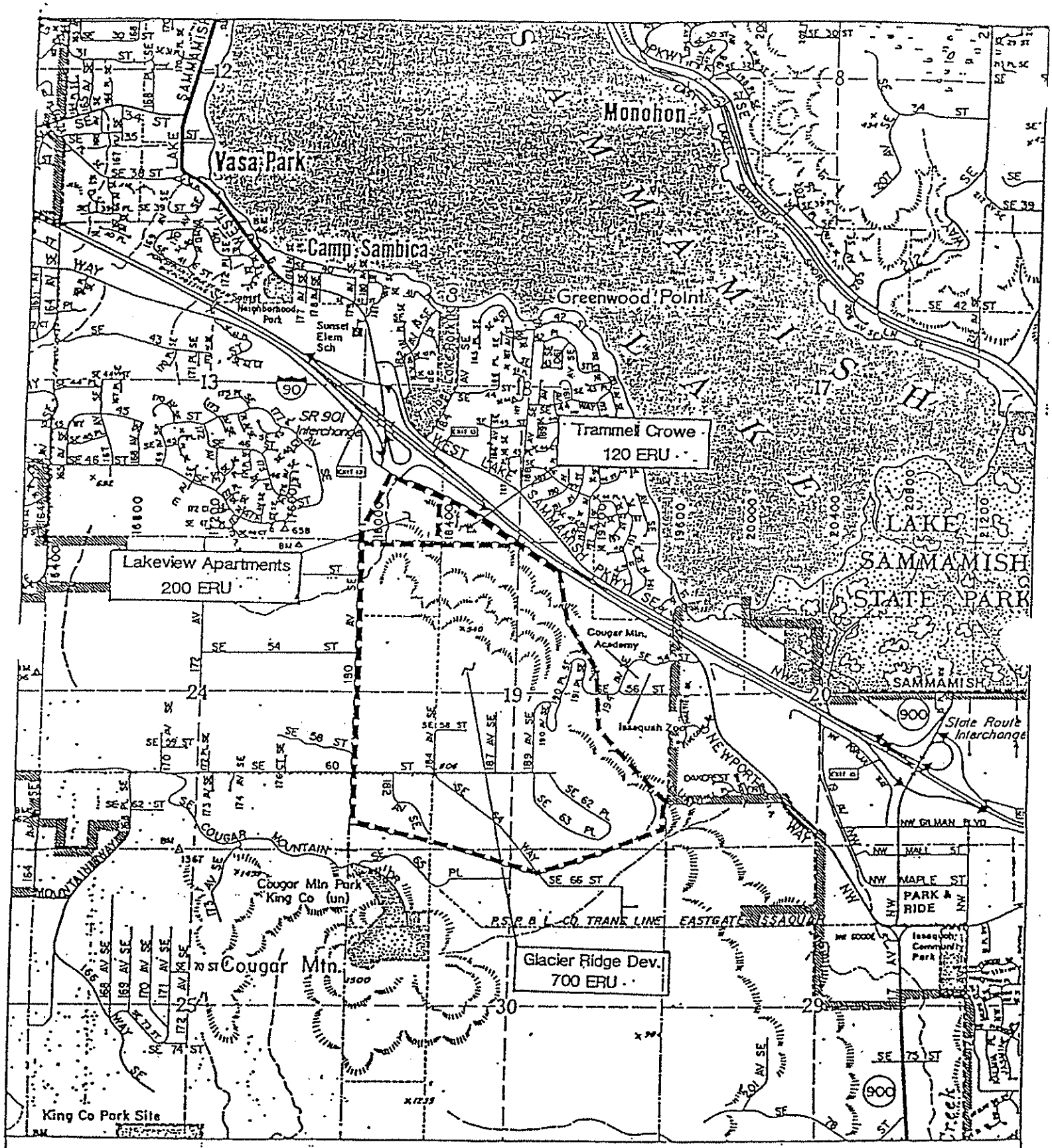
Pam Bissonnette

Approved as to form:

Assistant City Attorney

CITY OF ISSAQUAH

City Attorney



PROJECTED BELLEVUE WATER SERVICING REQUIREMENTS WITHIN ISSAQUAH WATER SERVICE AREA

April 19, 1989

EXHIBIT 1

EXHIBIT 2

LIST OF FACILITIES

1. Newport Pump Station Upgrade
2. 850 Pressure - 12" Transmission Main
3. 850 EL to 1150 EL Pump Station
4. 1150 Elevation 12" Transmission Main
5. 1150 Elevation Reservoir - 1.05 MG
6. 1150 Elevation - Issaquah 12" Transmission Main
7. Water Meter, Vault and Appurtenances

King County

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TERMS AND CONDITIONS APPLICABLE TO

UTILITIES FRANCHISES GRANTED BY KING COUNTY

THIS FRANCHISE is subject to the following terms and conditions:

1. DEFINITIONS

County Road Rights-of-Way. The term "County Road Rights-of-Way" includes any road, street, avenue, or alley located within the area described in the attached Exhibit "A".

Director. The term "Director" refers to the chief executive of the King County Department of Public Works.

Grantee. The term "Grantee" refers to the CITY OF BELLEVUE its successors and those assignees approved pursuant to paragraph 16 herein.

Utility. The term "utility" refers either to the Grantee or, depending on the context, to any other person, firm, or corporation, public or private, which may hold a franchise to maintain and operate similar facilities in, under, over, across, and along any of the County property described in Exhibit "A".

Council. The term "Council" refers to the King County Council, acting in its official capacity.

Other Governing Body. The term "Other Governing Body" refers to any public official or other public board or body as may have the power and jurisdiction to permit or regulate the installation and maintenance of utilities and other facilities in, under, over, across, and along any of the county property described in Exhibit "A".

2. ACCEPTANCE BY GRANTEES OF TERMS AND CONDITIONS

The full acceptance of this franchise and all of its terms and conditions shall be filed with the Clerk of the Council within thirty (30) days from _____, 19____, by the Grantee. Full acceptance of this franchise is a condition precedent to its taking effect, and unless this franchise is accepted within the time specified, this grant will be null and void and have no force or effect.

3. NON-EXCLUSIVE FRANCHISE

This franchise is not exclusive. It does not prohibit King County from granting franchises for other public or private utilities, in, under, over, across, and along any County property, including County road rights-of-way.

This franchise does not prevent or prohibit King County from constructing, altering, maintaining or using any County road rights-of-way covered by this franchise. King County retains full power to make all changes, relocations, repair, maintenance, etc. as it may deem fit.

4. JURISDICTION

This franchise is intended to convey limited rights and interest only as to those roads and rights of way in which King County has an actual interest. It is not a warranty of title or of interest in County road rights-of-way.

Whenever any of the County road rights-of-way as designated in this franchise, by reason of the subsequent incorporation of any Town or City or extension of the limits of any Town or City, shall later fall within the City or Town limits, this franchise shall continue in force and effect until such time as the incorporation and/or annexation is complete according to applicable State law, after which time the County will no longer have any responsibility for maintenance of any County roads, rights-of-way or other County property within the area of annexation/incorporation.

None of the rights granted to the Grantee shall affect the jurisdiction of King County over County road rights-of-way or the County's power to perform work upon its roadways, rights-of-way or appurtenant drainage facilities including by constructing, altering, renewing, paving, widening, grading, blasting or excavating.

5. REGULATION OF USE AND CONTROL

This franchise does not deprive King County of any powers, rights, or privileges it now has or may later acquire in the future to regulate the use of and to control the County road rights-of-way covered by this franchise.

6. EMINENT DOMAIN

This franchise and the limited rights and interests for the operation, maintenance, repair, and construction of Grantee's transmission and service lines and appurtenances are subject to the exercise of eminent domain. In the event of an exercise of eminent domain by King County, the value to be attributed to all the rights and interests granted under this franchise shall not exceed the actual amount the Grantee paid to King County in obtaining this franchise.

7. ENFORCEMENT

Failure of King County to enforce any provision of this agreement does not constitute a waiver of its right to enforce that provision or any other provision of this agreement.

8. INDEMNITY AND HOLD HARMLESS

The Grantee agrees to indemnify and hold harmless King County as provided herein to the maximum extent possible under law. Accordingly, the Grantee agrees for itself, its successors, and assigns to defend, indemnify and hold harmless King County, its appointed and elected officials, and employees from and against liability for all claims, demands, suits, and judgments, including costs of defense thereof, for injury to persons, death, or property damage which is caused by, arises out of, or is incidental to Grantee's exercise of rights and privileges granted by this franchise. The Grantee's obligations under this section shall include:

(a) Indemnification for such claims whether or not they arise from the sole negligence of either the County or the Grantee, the concurrent negligence of both parties, or the negligence of one or more third parties.

(b) The duty to promptly accept tender of defense and provide defense to the County at the Grantee's own expense.

(c) Indemnification of claims made by the Grantee's own employees or agents.

(d) Waiver of the Grantee's immunity under the industrial insurance provisions of Title 51 RCW, which waiver has been mutually negotiated by the parties.

In the event it is necessary for the County to incur attorney's fees, legal expenses, or other costs to enforce the provisions of this section, all such fees, expenses and costs shall be recoverable from the Grantee.

In the event it is determined that RCW 4.24.115 applies to this franchise agreement, the Grantee agrees to defend, hold harmless and indemnify King County to the maximum extent permitted thereunder, and specifically for its negligence concurrent with that of King County to the full extent of Grantee's negligence. Grantee agrees to defend, indemnify and hold harmless the County for claims by Grantee's employees and agrees to waiver of its immunity under Title 51 RCW, which waiver has been mutually negotiated by the parties.

9. VACATION

If at any time King County vacates any County road rights-of-way covered by this franchise, King County will not be held liable for any damages or loss to the Grantee by reason of such vacation. King County may, after giving thirty (30) day's written notice to the Grantee, terminate this franchise with respect to any County road rights-of-way vacated.

10. INSTALLATION, REPAIR, REMOVAL OR RELOCATION

The Grantee shall, at no expense to the County, repair all existing facilities that it owns within County road rights-of-way, including all appurtenant facilities and service lines connecting its system to users, if such repair is required by the County for any reasonable purpose.

The Grantee shall, at no expense to the County, adjust, remove or relocate existing facilities within County road rights-of-way, including all appurtenant facilities and service lines connecting its system to users, if the County determines such adjustment, removal or relocation is reasonably necessary to allow for an improvement or alteration planned by the County in such road right-of-way. The County shall give the Grantee written notice of such requirement as soon as practicable, at the beginning of the pre-design stage for projects that are part of the County's capital improvement program, including such available information as is reasonably necessary for the grantee to plan for such adjustment, removal or relocation.

For projects that are a part of the County's capital improvement program, in addition to any other notice given to the Grantee, the County shall provide a vertical and horizontal profile of the roadway and drainage facilities within it, both existing and as proposed by the County, and the proposed construction schedule; notwithstanding any permit conditions that may later be applied to the County project, this initial design information shall be given at least 180 days before construction is scheduled to begin, except in cases of urgent construction or emergencies. The Grantee shall respond to this notice, and to any later notices of revised designs based on permit conditions, within no more than thirty (30) days by providing to the County the best available information as to the location of all of the Grantee's facilities, including all appurtenant facilities and service lines connecting its system to users and all facilities that it has abandoned, within the area proposed for the public works project.

The County shall offer the Grantee the opportunity to participate in the preparation of bid documents for the selection of a contractor to perform the public works project as well as all required adjustments, removals or relocations of the Grantee's facilities. Such bid documents shall provide for an appropriate cost allocation between the parties. The County shall have sole authority to choose the contractor to perform such work. The Grantee and the County may negotiate an agreement for the Grantee to pay the County for its allocation of costs, but neither party shall be bound to enter into such an agreement. Under such an agreement, in addition to the Grantee's allocation of contractor costs, the Grantee shall reimburse the

county for costs, such as for inspections or soils testing, related to the Grantee's work and reasonably incurred by the County in the administration of such joint construction contracts. Such costs shall be calculated as the direct salary cost of the time of County professional and technical personnel spent productively engaged in such work, plus overhead costs at the standard rate charged by the County on other similar projects, including joint projects with other County agencies.

11. REQUIREMENT OF CONSTRUCTION PERMITS

The Grantee has the right, privilege and authority to enter the County road rights-of-way for the purpose of operating, maintaining, repairing or constructing its transmission and service lines and appurtenances on the condition that it obtains permits approved by the Director and Property Services Division and, when applicable, by the Department of Development and Environmental Services. Applications for work permits shall be presented to the Property Services Division which may require copies of plans, blueprints, cross-sections, or further detailing of work to be done. Any work done, whether by Grantee, its contractors, or third parties will include necessary paving, patching, grading and any other reasonably necessary repair or restoration to the County road rights-of-way. All work shall be done to the satisfaction of the Director.

All equipment, lines and appurtenances which are used in the operation, maintenance, repair or construction of the Grantee's service and which are located within the County road rights-of-way and owned by the Grantee shall be considered to be part of the Grantee's system and shall be the responsibility of the Grantee. All permits for the operation, maintenance, repair or construction of said system shall be applied for and given in the name of the Grantee, who will be responsible for all work done under the permit. The Grantee remains responsible whether the work is done by the Grantee, its contractors, or by third parties.

The Grantee shall, at no expense to the County, assume the following obligations with respect to facilities connected to its system that are within County road rights-of-way and which it does not own, including appurtenant facilities and service lines connecting its system to users:

(a) The Grantee shall apply for, upon request and on behalf of the owner of the facilities, a County right-of-way construction permit for any repairs required for such facilities; provided such owner agrees to reimburse the Grantee for all costs incurred by the Grantee and any other reasonable conditions the Grantee requires as a precondition to applying for the permit. All work to be performed in the County right-of-way shall comply with all conditions of the County permit and all applicable County requirements. The Grantee may at its option perform any part of the repair with its own forces or require the owner to employ a contractor for that purpose, provided such contractor is approved by the County;

(b) In the event that the County determines emergency repair of such facilities is necessary to halt or prevent significant damage to County road rights-of-way or significant threats to the health, safety or welfare of parties other than the owner or the occupants of the building served by such facilities, the Grantee shall take prompt remedial action to correct the emergency to the County's approval, which the County shall not unreasonably withhold;

(c) When the County or its contractor provides notice to the Grantee, pursuant to R.C.W. 19.122, of its intent to excavate within County road rights-of-way, the Grantee shall provide to the County or its contractor the best information available from the Grantee's records or, where reasonable, from the use of locating equipment as to the location of such facilities, including surface markings where these would reasonably be of use in the excavation. If the Grantee fails to make good faith efforts to provide the above information within the deadlines provided by R.C.W. 19.122, the Grantee shall hold the County harmless for all reasonable costs that result from damage to such facilities if such damages occurs as a result of the failure to provide such information. Nothing in this subsection is intended or shall be construed to create any rights in any third party or to form the basis for any obligation or liability on the part of the County or the Grantee toward any third party, nor is anything in this subsection intended or to be construed to alter the rights and responsibilities of the parties under R.C.W. 19.122, as amended.

The Grantee shall post a bond to King County in the amount sufficient for any road repair or restoration. The amount of the bond shall be set by the Director and must be filed with the Property Services Division before a permit will be issued.

12. RESTORATION OF COUNTY ROAD RIGHTS-OF-WAY

After work on, under or adjacent to County road rights-of-way, the Grantee is responsible for and will leave all County road rights-of-way in as good a condition as they were in before any work was done. In the event that the Grantee, its contractors, or third parties working under permit should fail to restore County road rights-of-way to the satisfaction of the Director, King County may make such repairs or restorations as are necessary to return the County road rights-of-way to its pre-work condition. Upon presentation of an itemized bill for repairs or restorations, including the costs of labor and equipment, the Grantee will pay the bill within thirty (30) days. If suit is brought upon the Grantee's failure to pay for repair and restoration, and if judgment in such a suit is entered in favor of King County, then the Grantee shall pay all of the actual costs, including interest from the date the bill was presented, disbursements, and attorney's fees and litigation related costs incurred

13. PERFORMANCE OF WORK

The Grantee covenants that in consideration for the rights and privileges granted by this franchise, all work performed by the Grantee on County road rights-of-way shall conform to all County requirements including, but not limited to, the requirements of the current edition

of the County Road Standards in force when the work is performed and all traffic control shall also conform to the current edition of the annual of Uniform Traffic Control Devices in force when the work is performed.

14. BLASTING REQUIREMENTS

The right to operate, maintain, repair and construct Grantee's transmission and service lines and appurtenances granted by this franchise, does not preclude King County, its agents or contractors from blasting, grading, or doing other road work contiguous to the Grantee's lines, and appurtenances. When practical, the Grantee will be given forty-eight (48) hours notice of any blasting or excavating so that the Grantee may protect its lines and appurtenances.

15. SURVEY MARKERS AND MONUMENTS

Before any work is performed under this franchise, the Grantee shall establish two or more reference marks to all monuments and markers of every nature relating to subdivisions, plats, rights of way, and all other surveys. The reference points shall be located so that they will not be disturbed during any of Grantee's operations under this franchise. The method of referencing monuments or other markers or points shall be approved by the Director before placement. The replacement of all markers or monuments disturbed during any construction of the Grantee shall be made as promptly as conditions permit and as ordered by the Director. The cost of monuments or markers lost, destroyed, or disturbed and the expense of replacement with approved markers or monuments shall be borne by the Grantee.

16. ASSIGNMENT

The Grantee shall not have the right to assign this franchise without the consent of the Metropolitan King County Council given by Motion. No assignment shall be effective unless an acceptance by the assignee of all rights, conditions, terms, provisions, and responsibilities contained within the franchise, as well as surety bonds which the Council deems necessary to be posted are received. Council approval of the assignment may be made subject to the assignee's acceptance of new or modified terms of the franchise.

17. PENALTY FOR VIOLATION OF CONDITIONS

If the Grantee shall violate or fail to comply with any of the material terms, conditions or responsibilities of this franchise through neglect or failure to obey or comply with any notice given the Grantee under the provisions of this franchise, the Council may revoke the franchise. King County shall provide the Grantee by written notice of its intent to revoke this franchise. A public hearing shall be scheduled within 45 days following the notification.

The decision to revoke this franchise will become effective 90 days following the public hearing if the County, by ordinance or motion, finds the revocation of this franchise to be in the public interest. During the 45 days following the notification, the Grantee shall have the opportunity to remedy the failure to comply.

18. EXPIRATION AND RENEWAL

To the extent described in Exhibit "A", all rights granted by this franchise to County road rights-of-way outside incorporated Towns and Cities apply to all existing County road rights-of-Way improved and unimproved and to all County road rights-of-way acquired by King County during the term of this franchise.

If the Grantee has initiated a renewal of this franchise before it expires, the County may, at its sole discretion, extend the term of the franchise on a month-to-month basis for up to one year. Should the County elect to extend the franchise, written notice shall be provided to the Grantee before the franchise expiration date.

If the Grantee has not applied for a renewal of this franchise before it expires, King County has the right to remove or relocate any lines and appurtenances of the Grantee as is reasonably necessary for the public's health, welfare, safety, or convenience including, but not limited to, the safe operation of County roads, franchise holders, or for the construction, renewing, altering, or improving of any County road rights-of-way, or for the installation of lines and/or facilities of other franchise holders.

Grantee shall be liable for the costs incurred in any removal or relocation of its lines and appurtenances under this section. Costs include the expense of labor and equipment, provided that any removal is effected within two (2) years from the expiration date of this franchise.

Upon expiration of this franchise, the Grantee shall continue to be responsible for the operation and maintenance of existing facilities in the County road rights-of-way but shall not have the right to provide additional services. This section and sections 8, 10-13 and 15 of this franchise shall continue in force until such time as the lines are removed from County road rights-of-way or abandoned in place with the approval of the County Road Engineer.

19. RESERVATION OF RIGHTS

King County specifically reserves for itself the right to impose a utility tax on the Grantee if such taxing authority is granted by State of Washington and the local option is exercised by the King County Council.

King County also specifically reserves the right to exercise authority it has or may acquire in the future to secure and receive fair market compensation for the use of its property,

pursuant to an ordinance. If King County elects to exercise such authority, the fair market compensation requirement for Grantee shall be imposed by ordinance not less than one hundred eighty (180) days after written notice ("Compensation Notice") is delivered to the Grantee, said Compensation Notice identifying with specificity the definition, terms and/or formula to be used in determining such fair market compensation. Acceptance of King County's definition terms and/or formula identified in the Compensation Notice will occur if the Grantee accepts in writing within thirty (30) days of receipt of the Compensation Notice; or, if Grantee takes no action in writing within thirty (30) days of receipt of the Compensation Notice; in which case the applicable ordinance that the King County Council passes will be determinative.

Nothing in this section shall be construed as an agreement by the Grantee of King County's right to exercise authority it has or may acquire in the future to secure and receive fair market compensation for the use of property. Nothing in this section shall be construed to prohibit the Grantee from challenging, in King County Superior Court or a court of competent jurisdiction, the legality of such right.

Grantee's rejection of the definition, terms, and /or formula identified in the Compensation Notice will only occur if such rejection is in written form, identifying with specificity the grounds for such rejection, and delivered to King County within thirty (30) days after receipt of the Compensation Notice, in which case the below identified arbitration terms will apply:

A. The Grantee and King County will select one arbitrator each, and the two selected arbitrators will select a third arbitrator. If the two arbitrators have not selected a third arbitrator within thirty (30) days after the selection of the last selection of the two, either the Grantee or King County may apply to the presiding judge of the King County Superior Court for the appointment of a third arbitrator. The three arbitrators will determine the method for determining the fair market compensation for the County property used by the Grantee. The arbitration procedure employed shall be consistent with the rules and procedures of the American arbitration Association. The decision of a majority of the arbitrators will bind both the Grantee and King County. At the conclusion of the arbitration, the arbitrators will submit written reports to the Grantee and King County which shall contain all pertinent evidence that led to their conclusion together with an explanation of their reasoning for such conclusion.

B. The fees of the arbitrators selected by each party shall be paid by that party, and the fees of the third arbitrator shall be paid one-half by the County and the Grantee. The other costs of the proceeding shall be shared equally by the County and the Franchisee.

C. In event that the question of fair market compensation is not resolved prior to the effective date specified by the ordinance authorizing said compensation, the arbitration decision will be applied retroactively to the effective date in the ordinance. The Grantee will pay the retroactive sum plus interest in the amount of twelve percent (12%) per annum.

Nothing in this franchise may be construed to limit the exercise of authority now or later possessed by the County or any other governing body having competent jurisdiction to fix just, reasonable and compensatory rates or other requirements for services under this franchise. Nothing in this section shall be construed to prohibit the Grantee from challenging, in King County Superior Court or a court of competent jurisdiction, the authority of the County or any other governing body to fix rates or other requirements for services.

20. COMPLIANCE WITH LAWS

Grantee shall conform to all applicable federal, state and local laws and regulations including, but not limited to, the State Environmental Policy Act and King County environmental standards and ordinances.

21. NON-DISCRIMINATION CLAUSE

In all hiring or employment made possible or resulting from this franchise agreement, there shall be no discrimination against any employee or applicant for employment because of sex, sexual orientation, age, race, color, creed, national origin, marital status or the presence of any sensory, mental, or physical handicap, unless based upon a bona fide occupational qualification, and this requirement shall apply to but not be limited to the following: employment, advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

No person shall be denied, or subjected to discrimination in receipt of the benefit of any services or activities made possible by or resulting from this agreement on the grounds of sex, sexual orientation, race, color, creed, national origin, age except minimum age and retirement provisions, marital status, or the presence of any sensory, mental or physical handicap.

Any violation of this provision shall be considered a violation of a material provision of this agreement and shall be grounds for cancellation, termination or suspension in whole or in part, of the agreement by the County and may result in ineligibility for further County agreements.

The Grantee shall make the best efforts to make opportunities for employment and/or contracting services available to women and minority persons. The Grantee recognizes that King County has a policy of promoting affirmative action, equal opportunity and has resources available to assist Grantee in these efforts.

22. PENALTY FOR VIOLATION OF CONDITIONS

If the Grantee shall violate or fail to comply with any of the terms, conditions or responsibilities of this franchise through neglect or failure to obey or comply with any notice given the Grantee under the provisions of this franchise, the Council may revoke, amend, alter, change or supplement this franchise. The Council shall give thirty (30) day's written notice to the Grantee of its intention to do so, during which period the Grantee shall have the opportunity to remedy the failure to comply.

23. RATES

The Grantee agrees that it shall be subject to all authority now or later possessed by the County or any other governing body having competent jurisdiction to fix just, reasonable, and compensatory rates for services under this franchise.

24. RIGHT OF APPEAL

Decisions, requirements, or approvals of the Director are binding on the parties to this document. Appeals from the Director's determinations will be made by filing a complaint with the King County Superior Court.

25. SEVERANCE

This agreement gives effect to purposes and uses which are consistent with economical and efficient services rendered in the public interest. If any provision of this franchise, or its application is determined to be invalid by a court of law, then the remaining provisions of this franchise shall continue and remain valid unless the dominant purpose of the franchise would be prevented or the public interest is no longer served.

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07/24/95

FRANCHISE NO. 12004

In the matter of the application for a franchise to operate, maintain, repair, and construct CITY OF BELLEVUE mains and service lines, (transmission mains) and appurtenances in, over, along, and under County roads and rights-of-way in King County, Washington.

The application of the CITY OF BELLEVUE for a franchise to operate, maintain, repair and construct water and sewer mains and service lines, (transmission mains) and appurtenances in, over, along, and under County roads and rights-of-way located within the area described in attached Exhibit "A" has been heard on this 23rd day of October, 1995. All of the property described in Exhibit "A" lies outside the limits of any incorporated Town or City.

Legal notice of the franchise application and of the hearing has been given as is required by law.

The King County Council, having considered the interests proposed and advanced, and finding that the granting of this franchise is in the public interest, ORDERS that a franchise be granted to the CITY OF BELLEVUE, the Grantee. This franchise grants the right, privilege, authority and franchise to operate, maintain, repair and construct main(s) and service lines and appurtenances as a part of its (transmission and) distribution system in, over, along, and under County roads and rights-of-way located within the area described in Exhibit "A".

This franchise is granted subject to all of the terms and conditions contained within, and shall expire in twenty-five years on 10-23, 2020.

Dated this 2nd day of November, 1995.

KING COUNTY, WASHINGTON

BY Ron Sims

TITLE Executive

The undersigned accepts all the rights, privileges, and duties of this franchise subject to all terms, conditions, stipulations, and obligations contained within.

CITY OF BELLEVUE
GRANTEE

BY Regan W. Sigler

TITLE PROJECT MANAGER

Dated this 8th day of NOVEMBER, 1995.

Exhibit "A"

AREA 1

Section 8, Township 24 North, Range 5 East, W.M. in King County, Washington

AREA 2

Sections 1, 10, 11, 12, 13, 14, 15, 16, 22, 23, 24, 25 and 26, Township 24 North, Range 5 East, W.M. in King County, Washington together with Sections 18 and 19, Township 24 North, Range 6 East, W.M. in King County, Washington

Less any portions herein described lying within the corporate limits of the City of Bellevue, the City of Mercer Island, the City of Renton, the City of Issaquah, the City of Newcastle and the Town of Beaux Arts, all situated in King County, Washington

ORIGINAL

FILED NO. 10360
CITY OF BELLEVUE
DATE 3/28/90
CITY CLERK Regina O'Connell
Res. 5249

AGREEMENT
FOR ESTABLISHING WATER UTILITY SERVICE AREA BOUNDARIES AS IDENTIFIED BY THE EAST KING COUNTY COORDINATED WATER SYSTEM PLAN

PREAMBLE

The Agreement for the water utility service area boundary identifies the external boundary of the service area for which the designated water purveyor has assumed direct retail water service responsibility. The responsibilities accepted by the water purveyor are outlined in the East King County Coordinated Water System Plan (CWSP), and as defined by the adopted rules and regulations of the Department of Health (DOH). This agreement does not give new authorities or responsibilities to the water purveyor or to the County or State regulatory agencies, but rather acknowledges the geographical area for these designated service responsibilities.

The terms used within this Agreement shall be as defined in the implementing regulations of Chapter 70.116RCW, except as identified below.

1. East King County Critical Water Supply Service Area Map shall mean the map referenced in the Agreement as Attachment A for the retail service area, except as amended in accordance with the CWSP procedures and with the concurrence of the affected water purveyors.

2. Retail Service Area shall mean the designated geographical area in which a purveyor shall supply water either by direct connection, by a satellite system, or through interim service by an adjacent utility or Satellite System Management Agency under agreement with the designated utility.

3. Wholesale Service Area shall mean the designated geographical area in which a purveyor, a group of purveyors, or another organization provides water to other water purveyors on a wholesale basis. A wholesale water supplier shall not provide water to individual customers in another purveyor's retail service area except with the concurrence of the purveyor responsible for the geographical area in question.

4. Lead Agency for administering the Agreement For Establishing Water Utility Service Area Boundaries shall be the King County Parks, Planning, and Resources Department, Building and Land Development Division, unless otherwise established by amendment to the CWSP.

The authority for this Agreement is granted by the Public Water System Coordination Act of 1977, Chapter 70.116 RCW.

WHEREAS, Such an Agreement is required in WAC 248-56-730, Service Area Agreements-Requirement, of the Public Water System Coordination Act; and

WHEREAS, Designation of retail water service areas, together with the cooperation of utilities, will help assure that time, effort, and money are best used by avoiding unnecessary duplication of service; and

WHEREAS, Definite future service areas will facilitate efficient planning for, and provision of, water system improvements within East King County as growth occurs; and

WHEREAS, Definite retail and wholesale service areas will help assure that water reserved for public water supply purposes within East King County will be utilized in the future in an efficiently planned manner,

NOW, THEREFORE, the undersigned party, having entered into this Agreement by signature of its authorized representative, concurs with and will abide by the following provisions:

Section 1. Service Area Boundaries. The undersigned party acknowledges that the East King County Critical Water Supply Service Area Map, included as Attachment A to this Agreement and as may be subsequently updated, identifies the utility's future water service area. The undersigned further acknowledges that there are no service area conflicts with adjacent water utilities, or, where such conflicts exist, agrees that no new water service will be extended within disputed areas until such conflicts are resolved.

Section 2. Common Service Area Transfer. It is understood that utilities may initially continue existing water service within the boundaries of neighboring utilities, as defined in Section 1 hereof. Such common service areas, if they exist, are described in Attachment B to this agreement. Also included in Attachment B are copies of, or a list of, all resolutions, ordinances, or agreements enabling these uncontested overlays. The undersigned party agrees that any water line for retail service extending outside of the retail service area boundary, as set forth in Section 1, shall be phased out and service transferred to the designated adjacent utility on an economic basis or by mutual agreement.

Economic basis considerations may include, but are not limited to:

(a) A determination by the present owner of service lines that maintenance, repair, and/or replacement costs exceed attributable income.

(b) Planned or imminent major street improvements or major improvements to either or both water systems which include an opportunity to transfer service.

The terms of the transfer of service area described in this Section shall be established in a separate agreement among the adjacent utilities whose boundaries are affected.

Section 3. Boundary Streets. Unless separate agreements exist with adjacent utilities concerning water services or other utility services, this party agrees that the water utility which is located to the north and/or east of boundary streets between this party and adjacent utilities will be entitled to provide future water service on both sides of those streets. Depth of service on boundary streets shall be limited to one platted lot or as otherwise agreed by the utilities. Existing services on boundary streets shall remain as connected unless transfer of service is agreed to by both parties, as per Section 2. These provisions do not disallow the placement of mains in the same street by adjacent utilities where geographic or economic constraints require such placement for the hydraulic benefit of both utilities.

Section 4. Boundary Adjustments. If, at some time in the future it is appropriate for the undersigned party to make service area boundary adjustments, such modifications must receive written concurrence (which shall not be unreasonably withheld) of all utilities that would be directly affected by such a boundary adjustment and the proper legislative authority(ies). This provision does not apply where boundary adjustments are made as a result of municipal annexations or incorporations, nor is it intended to modify the provisions of state law. These written modifications must be noted and filed with the designated King County lead agency and DOH. It is understood by the undersigned party that if, as provided by RCW 70.116.040, it is unable to provide service within its designated service area boundary it may decline to do so. But, in that case, an applicant may be referred to other adjacent utilities, to a pre-qualified Satellite System Management Agency (SSMA), or a new utility may be created and the original service area boundary will be adjusted accordingly.

Section 5. Service Extension Policies. The undersigned party agrees that in order to expand its water service area, other than by addition of retail customers to existing water mains, or to serve in the capacity of a pre-qualified SSMA, it shall have adopted design standards and Utility Service extension policies. The design standards shall meet or exceed the East King County Minimum Design Standards.

Municipalities further agree that if they identify a service area outside of their existing municipal corporate boundaries, the municipality will assume full responsibility for providing water service equivalent to (excluding rates and charges) the level of service provided for their inside-city customers. This will be in conformance with applicable land use policies.

This agreement by reference includes the following attachments:

Attachment A - East King County Critical Water Supply Service Area Map. (See Section 1)

Attachment B - Common Service Area Agreements with Redmond and Issaquah. Resolutions 5159, 5232, 5226.

IN WITNESS WHEREOF, the undersigned party has executed this Agreement as of 4-10-90.
(date)

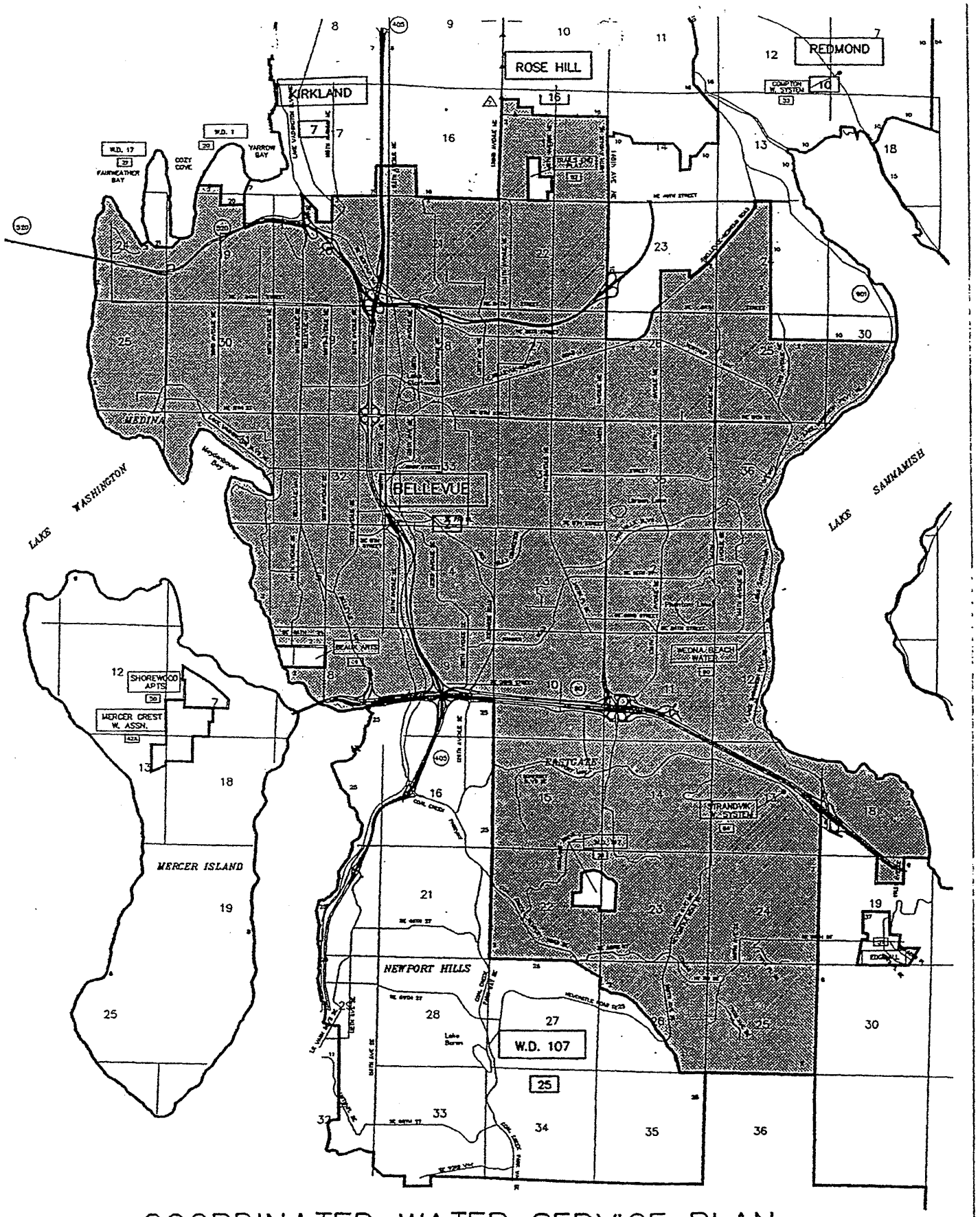
City of Bellevue

Phil Kushlan, City Manager

Receipt Acknowledged:

Richard Rodriguez
King County Parks, Planning,
and Resource Department

4-10-90
Date



COORDINATED WATER SERVICE PLAN
CITY OF BELLEVUE WATER SERVICE AREA

ORIGINAL

0445C
03/08/90

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 5249

A RESOLUTION authorizing the City Manager to sign an agreement declaring and acknowledging the City of Bellevue's Water Utility service area boundary.

WHEREAS, the East King County Regional Water Association (EKCRWA) has completed a Coordinated Water System Plan (CWSP) for East King County; and

WHEREAS, it is necessary to define service areas to resolve any discrepancies or disputes between neighboring purveyors and to define the area for which purveyors are responsible for planning; and

WHEREAS, WAC 248-56-730 specifically requires that public water systems within critical water supply service areas be determined by written agreement among the respective existing purveyors and approved by the appropriate legislative authority; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is authorized and directed to execute that certain Agreement For Establishing Water Utility Service Area Boundaries As Identified By The East King County Coordinative Water System Plan, a copy of which has been given Clerk's Receiving No. 15360.

PASSED by the City Council this 19th day of March, 1990, and signed in authentication of its passage this 19th day of March, 1990.

(SEAL)

Terry Lukens

Terry Lukens, Mayor

Attest:

Marie K. O'Connell

Marie K. O'Connell, City Clerk

City of Kirkland

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INTERLOCAL AGREEMENT – Emergency Water Intertie 132nd Avenue NE

THIS AGREEMENT ("Agreement") is made this 6th day of Sept, 2012 (year), between the CITY OF BELLEVUE, a municipal corporation in King County, Washington ("Bellevue") and the CITY OF KIRKLAND, a municipal corporation in King County, Washington ("Kirkland").

SECTION 1. RECITALS

1.1 Bellevue provides water service to properties within the City of Bellevue along 132nd Avenue South of NE 60th Street in King County, Washington. Kirkland provides water service to properties along 132nd Avenue North of NE 60th Street within the City of Kirkland, King County, Washington. A portion of Bellevue's water service boundary is located adjacent to Kirkland's water service boundary.

1.2 Bellevue and Kirkland desire to obtain supplemental water supply for emergency purposes only by an intertie between their respective water systems, subject to certain terms and conditions contained in this Agreement.

1.3 Bellevue and Kirkland are authorized by Chapter 39.34 RCW, the Interlocal Cooperation Act, to enter into cooperative agreements.

In consideration of the terms and conditions contained herein, the parties now agree as follows:

SECTION 2. EMERGENCY INTERTIE

2.1 Bellevue and Kirkland agree to provide each other with an emergency standby source of water through an intertie connection between Bellevue and Kirkland water systems, at the location described and depicted on Attachment A. The intertie connection shall be constructed and paid for by Bellevue. This connection shall be an emergency standby connection (mainly for the purpose of additional fire flow availability to Bellevue), and water shall only be drawn through this point when an emergency occurs. An emergency shall be considered any event that requires Bellevue's or Kirkland's water supply to be augmented on a temporary emergency basis.

2.2 Bellevue or Kirkland shall notify the other party in writing at least twelve (12) hours in advance of the date either party desires to receive water through the intertie. In case an emergency requires immediate use of the intertie to protect lives or property, notification should occur as soon as practicable under the circumstances. Follow-up written notice of such emergency request and water usage shall be made by Bellevue or Kirkland to the other party, including an estimated quantity of water used, within three (3) days after the termination of such emergency water usage.

2.3 Bellevue shall own and install all of the pipes and valves located within the City of Bellevue and Kirkland shall own the pipes and valves within the City of Kirkland. Both Bellevue and Kirkland personnel are authorized to operate the intertie system with appropriate notification to the other party.

2.4 Bellevue and Kirkland shall use reasonable efforts to provide an uninterrupted supply of water. Neither party shall be liable for any shortage or interruption in the delivery of water. In addition, neither party shall be liable for any failure, interruption or shortage of water, or any loss or damage resulting therefrom occasioned by any cause beyond the control of either party. Bellevue and Kirkland do not guarantee the availability of water through the intertie at all times because of each party's respective needs and water demand. Further, during critical water shortage periods as determined by either party, Kirkland or Bellevue may close the intertie until sufficient water supply exists to make such available for use by either party.

2.5 In the event water is delivered through the intertie, the party receiving such water shall pay the other party for such water delivered at the wholesale rate plus ten percent (10%) by the party delivering such water. The party delivering such water shall bill the party receiving such water for the amount of water delivered. The party receiving such water shall pay the other party within forty-five (45) days of the date of such billing. Any billings not paid by the party within such 45-day period shall accrue interest at the rate of twelve percent (12%) per annum until paid.

SECTION 3. GENERAL PROVISIONS

3.1 Neither party shall by virtue of this Agreement acquire any proprietary or governmental interest in the water system of the other party. Each party shall be solely responsible for the operation and maintenance of its own system of water distribution.

3.2 Bellevue and Kirkland agree to hold harmless and indemnify the other party and its officers, employees and agents from any and all claims, damages, costs or other liabilities caused by parties' sole negligence or the parties' concurrent negligence, but only to the extent of the parties' concurrent negligence and arising by reason of participation in, connection with, or relating to the performance of this Agreement.

3.3 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.4 Any notice to be given or any documents to be delivered by any party to any other shall be delivered in person or by certified mail and addressed to the parties to this Agreement at the following addresses:

Bellevue	Utilities Director City of Bellevue 450 110th Avenue, NE PO Box 90012 Bellevue, WA 98009-9012
With a copy to:	City Attorney City of Bellevue 450 110th Avenue, NE PO Box 90012 Bellevue, WA 98009-9012
Kirkland:	Public Works Director City of Kirkland 123 5th Avenue Kirkland, WA 98033
With a copy to:	City Attorney City of Kirkland 123 5th Avenue Kirkland, WA 98033

3.5 This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may be modified only by an agreement in writing signed by both parties.

3.6 This Agreement shall be administered jointly by the Bellevue Utility Director and Kirkland Public Works Director.

3.7 This Agreement shall take effect upon execution of this Agreement after authorization by Bellevue's City Council and Kirkland's City Council. This Agreement shall remain in effect until terminated by either party by thirty (30) days' prior written notice to the other party.

3.8 A copy of this Agreement shall be filed with the Bellevue and Kirkland City Clerks, the County Auditor, and the Washington Secretary of State.

Kirkland:

CITY OF KIRKLAND

By Kurt Triplett

Name: Kurt Triplett

Title: City Manager

Bellevue:

CITY OF BELLEVUE

By Brad Miyake

Name: Brad Miyake

Title: Deputy City Mgr

Approved as to Form:

OFFICE OF KIRKLAND ATTORNEY

By Oskean Rey

Name: Oskean Rey

Title: Asst. City Attorney

Approved as to Form:

OFFICE OF BELLEVUE CITY ATTORNEY

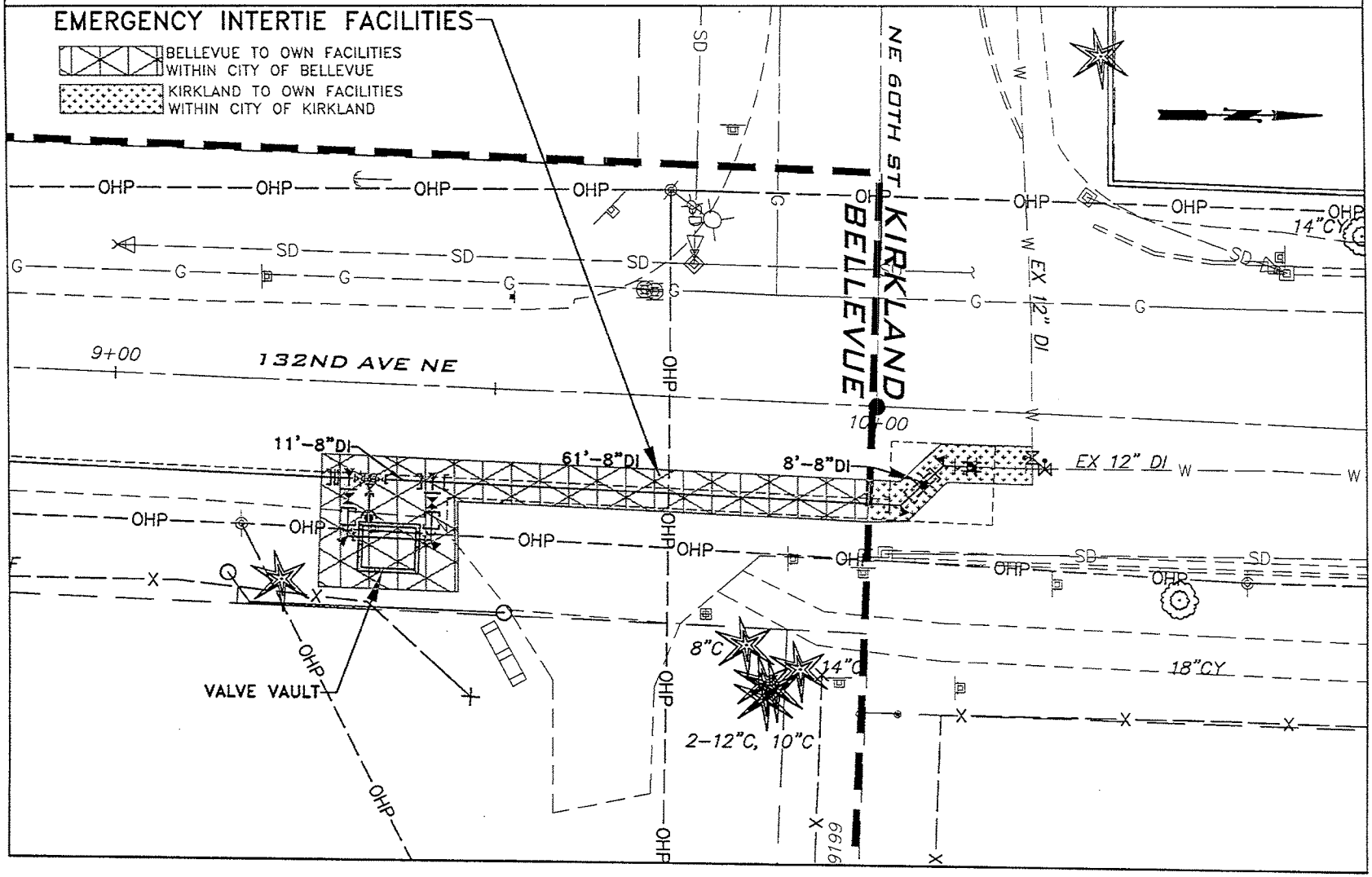
By Lacey L. Hatch

Name: Lacey L. Hatch

Title: Ass. City Attorney

Bellevue Kirkland Emergency Water Intertie– 132nd Ave

ATTACHMENT A



After recording return to:

_____

_____

_____

CR# 37620 DATE 6-8-05 LOC 05-488
Ass 7196

AMENDMENT NO. 1
TO
INTERLOCAL OPERATION AND MAINTENANCE AGREEMENT

THIS AMENDMENT NO. 1 to that certain Interlocal Operation and Maintenance Agreement dated October 9, 1997 (the "1997 Agreement") is made by and between the cities of Kirkland ("Kirkland"), Redmond ("Redmond") and Bellevue ("Bellevue"), all municipal corporations in King County, Washington, collectively referred to as the "Cities" for the purposes set forth herein.

RECITALS

A. The Cities previously entered into an Assumption Agreement whereby the Cities assumed the assets, liabilities and operations of the Rose Hill Water District, a former municipal corporation in King County, Washington.

B. Section 5 of the 1997 Agreement provides for the purchase of water from the City of Seattle, and anticipates the possibility that the City of Seattle may choose not to renew its purveyor contract with Kirkland.

C. The City of Seattle has chosen not to renew the existing purveyor contract with Kirkland.

D. The Cascade Water Alliance is a regional water supply organization ("Cascade") of which the Cities are members.

E. The Cities wish to amend the 1997 Agreement to reflect the purchase of water from Cascade as of January 1, 2004;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the parties agree as follows:

1. Water Supply. Section 5 of the 1997 Agreement is deleted in its entirety and replaced with the following:

> 5. Water Supply. Kirkland, Redmond and Bellevue shall each contract with the Cascade Water Alliance ("Cascade") for the purchase of their respective water supplies, and shall pay all applicable costs of supply to Cascade in accordance with such agreements. Kirkland shall operate the Joint Facilities to distribute Cascade water to Kirkland, Redmond and Bellevue.

2. Water Usage. Section 6 of the 1997 Agreement is amended by deleting the reference to the "City of Seattle" and replacing it with "Cascade."

3. Water Supply, Operation and Maintenance Costs. Subsections 9(a), 9(b), 9(e), and 9(i) of the 1997 Agreement are deleted and replaced with new subsections 9(a), 9(b), 9(e) and 9(i) to read as follows:

> a. Water Charges. The charge for water shall be paid directly by each city to Cascade in accordance with Cascade's membership agreement and resolutions.
>
> b. Meter Charges. There are no Cascade meter charges for the supply meters. There shall be no charges for any city-operated master meter. Costs associated with the operation and maintenance of master meters shall be borne by the city served by the master meter. City-operated master meters will be tested and calibrated as determined by the Joint Board.
>
> e. Administration Charges. Kirkland shall assess Redmond and Bellevue based on water usage for their proportionate shares of the administrative costs incurred by Kirkland to provide administrative activities and duties for this Agreement and operation and maintenance of the joint facilities for which Kirkland is responsible. These administrative activities include but are not limited to financial and accounting services, record keeping, and billing.
>
> i. Demand Metering. This subsection is deleted.

4. Water Supply, Operation and Maintenance Payments. Subsections 10(b) and 10(c) of the 1997 Agreement are deleted and replaced with new subsections 10(b) and 10(c) to read as follows:

> b. Supply and Consumption Reports. Kirkland shall prepare a supply and consumption report for each month of the year within ninety (90) days of the end of each such month. The report shall indicate the total purchased supply, the wholesale usage and retail water usage reported by each city, and the unaccounted

water usage calculated for each city. This report shall correlate the total purchased supply and reported usages to actual calendar periods of use as may be determined based on the varying meter read dates and frequency of meter readings. Kirkland shall provide copies of the monthly supply and consumption reports to Cascade.

c. Billings and Payments. Each city shall invoice the other cities monthly or quarterly as determined by the billing city for any charges authorized herein.

5. Seattle Water Purveyor Contract. Section 11 of the 1997 Agreement is hereby deleted in its entirety.

6. Severability. The invalidity of any clause, sentence, paragraph, subdivision, section or portion of this Amendment No. 1 shall not affect the validity of the remainder of this agreement.

7. Counterparts. This document may be signed in two or more counterparts, all of which, when considered together, shall constitute one fully executed document.

8. Effective Date and Ratification. This Amendment shall take effect upon signature by each City and filing with the King County Department of Records and Elections. The Cities intend that this Amendment relate back to January 1, 2004, and this Amendment shall ratify the prior oral understandings between the parties now set forth in this Amendment.

Except as expressly modified by this Amendment No. 1, all terms and conditions of the 1997 Agreement shall remain in full force and effect.

EXECUTED by the parties on the dates set forth below.

CITY OF KIRKLAND

By: _____
Its: ASSISTANT CITY MANAGER
Dated: 7/11/05

APPROVED AS TO FORM:

By: _____ 07/08/05
Kirkland City Attorney Date

CITY OF REDMOND

By: _____
Its: MAYOR
Dated: 4-5-2005

APPROVED AS TO FORM:

By: _____ 4/5/05
Redmond City Attorney Date

{ASB571685.DOC;1/00020.900175/}

CITY OF BELLEVUE

By: ERObera
Its: Deputy City Manager
Dated: 6/8/05

APPROVED AS TO FORM:

By: Patricia Cole 5/23/05
Bellevue City Attorney Date

{ASB571685.DOC;1/00020.900175/}

ORIGINAL

1353-RES
5/27/2005

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 7196

A RESOLUTION authorizing and directing the City Manager to execute Amendment No. 1 to the Interlocal Operation and Maintenance Agreement among the cities of Bellevue, Redmond and Kirkland for water system facilities.

WHEREAS, the City of Bellevue, the City of Redmond and the City of Kirkland entered into an Interlocal Operation and Maintenance Agreement in 1997 for the operation and maintenance of jointly owned water system facilities that were acquired with the assumption of the Rose Hill Water District; and

WHEREAS, under the 1997 agreement, Redmond and Bellevue paid Kirkland for water purchases that Kirkland made from Seattle; and

WHEREAS, the Cascade Water Alliance (Cascade) was formed in April 1999 pursuant to an Interlocal Contract for the purpose of providing water supply to meet the growing demands of its members, including Bellevue, Redmond and Kirkland; and

WHEREAS, the Amendment No. 1 recognizes that Bellevue, Redmond and Kirkland now pay Cascade Water Alliance directly for water supply; now therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized and directed to execute Amendment No. 1 to the Interlocal Operation and Maintenance Agreement among the cities of Bellevue, Redmond and Kirkland for water system facilities, a copy of which Agreement has been given Clerk's Receiving No. 37670.

Passed by the City Council this 6th day of June, 2005, and signed in authentication of its passage this 6th day of June, 2005.

(SEAL)

Connie B. Marshall
Connie B. Marshall, Mayor

Attest:

Myrna L. Basich
Myrna L. Basich, City Clerk

ORIGINAL

FILED NO. 24972
CITY OF BELLEVUE
DATE 10/13/97
M-Reel
CITY CLERK'S OFFICE

INTERLOCAL OPERATION AND MAINTENANCE AGREEMENT

This Agreement is made by and between the Cities of Kirkland ("Kirkland"), Redmond ("Redmond"), and Bellevue, ("Bellevue"), municipal corporations in King County, Washington, collectively referred to as the "Cities" for the purposes set forth herein.

RECITALS

A. The Cities have previously approved an Assumption Agreement whereby the Cities have assumed the assets, liabilities and operations of the Rose Hill Water District, a municipal corporation in King County, Washington ("District").

B. Prior to the assumption of the District by the Cities, Kirkland and Bellevue maintained jointly owned water facilities with the District pursuant to various interlocal agreements providing for such. In addition, Redmond entered into certain interlocal agreements with the District regarding water system operation and water supply. Upon the effective date of the assumption of the District by the Cities, the Cities have assumed ownership and responsibility for the District's water supply facilities within the Cities' respective service areas. However, certain District facilities will continue to be jointly owned and operated by the Cities in accordance with the terms of the Assumption Agreement and their respective undivided ownership interests in such facilities.

C. The purpose of this Agreement is to provide for the respective responsibilities and obligations of the Cities to provide for the ongoing operation and maintenance of water supply facilities ("joint facilities") within the common service areas as further described in this Agreement.

D. The Cities are authorized by Chapter 39.34 RCW, the Interlocal Cooperation Act, to enter into interlocal agreements for the joint action referenced herein.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the parties agree as follows:

1. Modification of Assumption Agreement. Exhibit C to the Assumption Agreement describes the jointly owned facilities and the distribution of ownership believed appropriate at the time the Assumption Agreement was executed. After additional evaluation it has been determined that modifications to the designation of jointly owned facilities and the distribution of ownership are necessary. Therefore, Attachment "A" to this Interlocal Operation and Maintenance Agreement supersedes Exhibit C to the Assumption Agreement.

2. Service Areas. Each City shall be the direct provider of water service within its service area. For purposes of this Agreement, "service area" means that portion of the City's incorporated area that overlays a portion of the previous District area together with adjacent unincorporated areas as more generally described as follows:

a. The service area for Bellevue shall be that area existing within the Bellevue city limits as of the effective date of this Agreement.

b. The service area for Kirkland shall be that area existing within the Kirkland city limits as of the effective date of this Agreement and any District service areas that are in unincorporated King County lying west of 132nd Avenue NE and its northerly extension.

c. The service area for Redmond shall be that area existing within the Redmond city limits as of the effective date of this Agreement and any District service areas that are in unincorporated King County lying east of 132nd Avenue NE and its northerly extension.

d. Any unincorporated area previously within the Rose Hill Water District Boundaries which is subsequently annexed into a City shall remain in or be transferred to the service area of the annexing City.

3. Meter Areas. Within each City's service area there are hereby established "direct read meter areas" and "master meter areas."

a. Direct read meter areas are within the previous District service area between the Seattle meters in place as of the effective date of the Assumption Agreement and the points at which City master meters exist or are installed in the future. Direct read meter areas indicate retail water usage within that area.

b. Master meter areas are those areas previously served by the District outside of the previous District service area boundary and downstream from City master meters.

4. City Master Meters are those existing or future meters that meter water to master meter areas.

5. Water Supply.

a. Kirkland shall purchase water from The City of Seattle for supply to the service areas of Kirkland, Redmond and Bellevue and shall sell water to Redmond and Bellevue.

b. Where Bellevue's direct service area lies within a portion of Redmond's master meter area, Redmond shall sell water to Bellevue to serve such area.

c. In the event The City of Seattle chooses to modify the purveyor contract with Kirkland to limit the quantity of supply to Kirkland, Kirkland shall continue to supply the service areas of Redmond and Bellevue. The quantity to be supplied to Redmond and Bellevue shall then be the amount of supply allocated to Kirkland from Seattle divided amongst the three cities in proportion to the percent ownership in the joint facilities as stated in Section 4 of Attachment A. Bellevue customers served by Redmond or Kirkland shall continue to receive their allocation based upon the average of the demand for the previous three years limited in the same proportion as are Kirkland and Redmond customers. Kirkland shall not be obligated to supply water to Redmond and Bellevue in excess of the respective City's proportionate amount supplied by The City of Seattle.

d. In the event Seattle chooses to not renew its purveyor contract with Kirkland, Kirkland shall not be obligated to supply water to Redmond and Bellevue. In the event that the supply from the City of Seattle is limited or eliminated by Seattle, the Joint Board shall evaluate and make recommendations to the Councils of the three cities on the alternatives to be considered and pursued for additional or alternate source(s) of supply.

e. In the event a regional water supply authority or water supply other than The City of Seattle is formed, the Councils of Redmond and Kirkland shall determine if Kirkland, or Kirkland and Redmond should jointly contract for supply from the new authority and whether to amend or terminate the City of Seattle contract ("Purveyor Contract") and/or this Agreement.

6. Water Usage. The water usage within the direct read meter areas shall be referred to as "retail water" and the water usage through master meters shall be referred to as "wholesale water." The water loss within the direct read meter areas to uses including but not limited to flushing, construction, leakage and firefighting shall be referred to as "unaccounted water." The usage of each City shall be computed for retail water, wholesale water and unaccounted water separately. Unaccounted water usage shall be determined by subtracting the wholesale water usage and retail water usage for each of the three Cities from the quantity of water purchased from The City of Seattle. The unaccounted water shall then be allocated to each of the Cities in proportion to the amount of retail water used within each City's direct read meter areas.

7. Operation and Maintenance. Kirkland and Redmond shall be jointly responsible for performing the operation and maintenance of any facilities jointly owned by the Cities. Redmond shall operate, maintain and repair any jointly owned water lines within the Redmond service area. Kirkland shall operate, maintain and repair all other jointly owned facilities.

Kirkland, Redmond and Bellevue each agree to not operate their facilities which are not joint-use facilities in any way which would be detrimental to the operations of any city. If a situation arises between the cities, the Joint Board shall determine how the water system shall be operated and maintained to the benefit of all cities.

8. Establishment of a Joint Board. The Cities hereby establish a Joint Board which shall provide oversight for the planning and performance of operations, maintenance, extraordinary maintenance, repair, and replacement of the joint facilities. The Joint Board shall be authorized to negotiate and execute leases of joint facilities. The Joint Board shall meet at least annually and shall be comprised of the Public Works Director (or equivalent department head) of each City or his/her designee. Should the Public Works Director or equivalent department head of any city appoint an alternate representative to the Joint Board, such appointment shall be in writing to the other cities by the Public Works Director or equivalent department head.

A quorum at any meeting of the Joint Board shall consist of a simple majority of the Joint Board's membership. All Joint Board members shall have one equal vote and, except as provided otherwise herein, all actions required to be authorized by vote of the Joint Board shall require approval of a majority of those present; provided however, that if the proposed action directly pertains to the operations, maintenance, extraordinary maintenance, repair or replacement of a particular jointly-owned facility, then the Joint Board action shall be by weighted majority vote based on the percentage of ownership interest of each City in the particular jointly owned facility to be operated, maintained, repaired or replaced.

9. Water Supply, Operation and Maintenance Costs. Costs for water supply and water system operation, maintenance, extraordinary maintenance, repair and replacement as further defined herein, shall be shared by the Cities and shall consist of the following components:

a. Water Charges: The water rates for wholesale water, retail water and unaccounted water shall be the commodity rates charged by the City of Seattle for the type of water (old, new) and for the period consumed (summer, winter). This rate shall also include but not be limited to emergency surcharges and applicable commodity or other charges or surcharges established by the City of Seattle.

b. Meter Charges: The meter charges for the City of Seattle meters shall initially be allocated to each City as follows:

Kirkland:	65%
Redmond:	35%
Bellevue:	0%

The percentage allocation of meter charges to the Cities shall be reviewed annually by the Joint Board on or about January 1 and shall be adjusted, if deemed necessary by the Joint Board, based upon the total quantity of water usage by each City in proportion to the total quantity of water purchased through the Seattle meters for the previous year.

There shall be no charges for any City-operated master meter. Costs associated with the operation and maintenance of master meters shall be borne by the City served by the master meter. City operated master meters will be tested and calibrated in even numbered years by the City served by the master meter.

c. Operation Charges. Kirkland shall assess Redmond and Bellevue for their proportionate shares of labor and costs incurred in the daily operation of the joint facilities based on water usage. Operation of the joint facilities shall include but not be limited to the operation of the instrumentation/control systems for such joint facilities, and for controlling the rate of flow from the Seattle supply facilities. The operation charges shall be actual expenses incurred including overhead. These expenses shall be subject to periodic review by the Joint Board at least every two (2) years.

d. Maintenance Charges: Kirkland shall assess Redmond and Bellevue, and Redmond shall assess Kirkland and Bellevue, based on their respective ownership interests in the joint facilities, for providing routine maintenance of and repairs to the joint facilities for which Kirkland or Redmond is responsible based upon service area location. These maintenance and repair activities include but are not limited to maintenance and repair of the instrumentation/control system for the joint facilities, maintenance and repair of the reservoirs, jointly owned pipelines, pumping facilities, reservoir control facilities, landscape maintenance and groundskeeping for the various joint facilities, and other activities of a similar nature. Redmond shall make similar assessments for routine maintenance of joint pipeline facilities within its service area. The Cities' ownership interests in the joint facilities are identified in Attachment A to this Agreement.

The maintenance charges from Kirkland to Redmond and Bellevue shall be actual expenses incurred including overhead. The maintenance charges from Redmond to Kirkland and Bellevue shall be actual expenses incurred including overhead. These expenses shall be subject to periodic review by the Joint Board at least every two (2) years.

e. Administration Charges: Kirkland shall assess Redmond and Bellevue based on water usage for their proportionate shares of the administrative costs incurred by Kirkland to provide administrative activities and duties for this Agreement and operation and maintenance of the joint facilities for which Kirkland is responsible. These administrative activities include but are not limited to coordination with the City of Seattle, financial and accounting services, record keeping, and billing.

The administrative charges shall be actual costs incurred including overhead. These charges shall be subject to periodic review by the Joint Board at least every two (2) years.

f. Insurance: The Joint Board shall determine the nature and amount of hazard and liability insurance to be provided for the joint facilities and their operation. Each City may but shall not be required to maintain casualty insurance for all risks of direct physical loss from external cause on the jointly-owned facilities to the extent of their interest at the current replacement cost of such improvements, which costs shall be updated annually. The Cities may agree that one of the Cities may obtain such insurance

naming the other Cities as named insureds and for the sharing of the costs of such insurance based upon the percentage of ownership of the joint facilities by each respective City.

g. Special Assessments.

1) Special Assessments for Emergency Items. Special assessments shall be made for emergency maintenance, repair, and replacement activities of the joint facilities. Emergency maintenance, repair, or replacement activities shall be defined as maintenance, repair, or replacement of joint use facilities requiring immediate attention and, without such attention, could cause a disruption to water supply or quality. The Joint Board shall have the authority to approve and assess such special assessments based on actual costs of such emergency maintenance, repair, or replacement activities as demonstrated by an accounting of time and materials; provided, however, any such special assessment approved by the Joint Board, to the extent it exceeds ~~$50,000.00~~ $25,000.00 for any City, shall not obligate such City until and unless approved by that City, unless that City delegates by appropriate legislative action the authority to its representative on the Joint Board to approve a larger special assessment on its behalf. This amount may be adjusted every five (5) years by the Joint Board by an amount not to exceed increased costs due to inflation. In calculating such adjustments, the Joint Board may rely on consumer price indices for the Seattle-Metropolitan area and similar locally available indices. Time and materials shall include labor, benefits, overhead, materials, taxes and contract amounts. Each City shall be assessed such special assessment based on its respective ownership interest in the joint facility under emergency maintenance or repair.

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2) Special Assessments for Extraordinary Items. Special assessments may also be made for extraordinary maintenance, repair and replacement activities of the joint facilities or joint capital improvement project for new or existing joint facilities. Extraordinary maintenance, repair and replacement activities may include but are not limited to coating, replacement, and structural repairs of the water storage facilities, and replacement of joint facilities (pipelines, pumps, motors, valves, vaults, supply meters and structures).

3) Destroyed or Damaged Facilities. In the event any of the joint facilities are destroyed or irreparably damaged by any cause, the facility so destroyed or damaged shall be promptly replaced by the Cities and the cost thereof shall be paid in the same proportion as the ownership of the facility. The Cities may, by unanimous agreement, determine that such facilities need not be replaced or reconstructed if the Joint Board finds the facilities are no longer necessary to the efficient provision of water supply.

h. Charges Between Cities. All charges assessed by one City against either of the other Cities for operation, maintenance, administration or special assessment shall include supporting documentation justifying said charges.

i. Demand Metering. Kirkland shall be responsible for demand metering as required in it's Purveyor Contract with the City of Seattle. During the demand metering period of June 1 through August 31, Redmond and Bellevue must notify Kirkland of their planned withdrawal rates by 8:00 a.m. daily to allow Kirkland sufficient time to set flow rates from the Seattle meters. The Joint Board will determine how to distribute the cost of a surcharge between the Cities.

j. Response to Emergencies. Costs of emergency response or repair activities to a joint facility by either City shall be allocated between the Cities based upon the percentage of ownership in the joint facility(s) involved.

10. Water Supply, Operation and Maintenance Payments.

a. Meter Reading. The Cities shall read their master meters and direct read meters as follows:

1) Redmond: Kirkland shall read Redmond's master meters at least monthly. Redmond shall read its direct read meters monthly or bimonthly in accordance with Redmond's policies and procedures. Redmond shall report to Kirkland the retail usage and the meter read dates within thirty (30) days of meter reading.

2) Bellevue: Kirkland shall read Bellevue's master meters at least monthly. Bellevue shall read its direct read meters monthly or bimonthly in accordance with Bellevue policies and procedures. Bellevue shall report to Kirkland the retail usage and meter read dates within thirty (30) days of meter reading.

3) Kirkland: Kirkland shall read its master meters at least monthly and shall read its direct read meters monthly or bimonthly in accordance with Kirkland policies and procedures.

b. Supply and Consumption Reports. Kirkland shall prepare a supply and consumption report for each month of the year within ninety (90) days of the end of each such month. The report shall indicate the total purchased supply, the wholesale usage and retail water usage reported by each City, and the unaccounted water usage calculated for each City. This report shall correlate the total purchased supply and reported usages to actual calendar periods of use as may be determined based on the varying meter read dates and frequency of meter readings. This report shall indicate the type of water used (old, new) and the period of use (summer, winter).

c. Billings and Payments. Kirkland shall invoice Redmond and Bellevue monthly for estimated water usage or any other charges as set forth herein. Estimated water usage shall be established from prior years' actual consumption records for retail water usage. Actual Master meter readings shall be used for the wholesale meter usage. With each monthly supply and consumption report an invoice shall be prepared based on actual usage.

d. Delinquent Payments. All payments between any of the Cities pursuant to the terms of this Agreement shall be made within 45 days of receipt of invoice. Payments not made within 45 days will be subject to 1% (one percent) per month interest charges on the outstanding balance.

11. Seattle Water Purveyor Contract. The parties acknowledge that the District has assigned its water purveyor contract with the City of Seattle to Kirkland pursuant to the Assumption Agreement and that Kirkland is a purveyor of water to Redmond and Bellevue. As set forth in the Assumption Agreement, Kirkland agrees to apportion its purveyor committee weighted votes between Kirkland and Redmond as allowed and provided by the Seattle Purveyors Committee By-laws. Kirkland further agrees to allocate between the Cities the flushing allowance provided for in the water purveyor contract in proportion to the total water used by each city as supplied by Kirkland in the previous year.

The water purveyor contract also provides in section III F therein for a purveyor facilities account. That section provides for identification and compensation for certain facilities that have been allocated to and paid for by the purveyors. Any allocation or credit to Kirkland under the purveyor contract in the event of the application of Section III F shall be reallocated by Kirkland to the three Cities based upon water purchased by each City in those years the allocation is made.

12. Status of Parties. This Agreement shall not be construed to establish a partnership, joint venture or any other legal relationship between the parties hereto except as common owners of the jointly owned facilities.

13. Successors. This agreement and its terms and conditions shall be binding upon the successors and assigns of the parties hereto.

14. Change in Proportion of Use or Ownership. The Cities may agree to adjust the use and/or ownership of the joint facilities identified in this Agreement and exhibits hereto as either a permanent amendment to this Agreement or as a temporary arrangement, and may agree that one party will pay the other party on an agreed basis for such permanent or temporary use of all or part of the other parties' contract share of the joint facilities.

15. Term and Termination. The term of this Agreement shall commence upon approval by the three cities. This Agreement shall remain in effect until terminated by mutual agreement of the three Cities. Upon termination of this Agreement, the disposition of the jointly owned facilities shall be in accordance with the ownership interests identified in Attachment A hereto; and all other property acquired during the life of this Agreement shall be distributed to the contributing City or Cities to the extent of such City's or Cities' contribution(s).

16. Emergencies, Notice and Response. In the event of an emergency condition occurring in the water system within the service areas of any of the Cities which affects the operation of the joint facilities, the City experiencing the emergency condition shall, upon learning of the condition, endeavor to immediately notify the other Cities. The Joint Board shall establish procedures for such notification providing as a minimum, a priority of names and telephone numbers for notification. The parties so notified shall, if requested and to the extent practicable, render emergency assistance to the other party and modify their system operations and control to the extent practicable as reasonably necessary to meet the emergency. In the event of such emergency, the party experiencing the emergency shall reimburse the other parties for the reasonable cost of any assistance provided.

17. Records. Kirkland shall maintain records indicating all operation and maintenance and administrative costs and charges and maintenance schedules for the joint facilities for which Kirkland is responsible and identifying actual maintenance performed.

18. Indemnification. Each City agrees to defend, indemnify, and hold the other Cities harmless from any and all losses, claims, demands, payments, suits, liabilities, or judgments of every nature and description brought or recovered against the other Cities for damages suffered, or alleged to be suffered by persons or property caused by or resulting from the operation or maintenance of the joint facility as described herein, except to the extent such damages resulted from the negligence of the other Cities.

19. Notice and Communications. All notices and other formal communications to be given or any documents to be delivered by any party to any other party shall be delivered in person or mailed by certified mail and addressed to the respective parties at the following addresses:

To Kirkland at: Director of Public Works
City of Kirkland
123 Fifth Avenue
Kirkland, Washington 98033

To Redmond at: Director of Public Works
City of Redmond
15670 NE 85th Street
Redmond, Washington 98052

To Bellevue at: Utility Director
City of Bellevue
PO Box 90012
Bellevue, WA 98009-9012

20. Modification of Agreement. This Agreement may be amended, modified or added to only by written instrument properly signed by all parties hereto.

~~THIS NEXT PARAGRAPH WILL REMAIN HERE, FOR NOW, AS WE MAY PUT IT BACK INTO DOCUMENT.~~

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21. Superseding Agreement. Several agreements and contracts have been approved and / or adopted by the District over the years. The following listed agreements and contracts constitute the entire list of agreements and contracts that were known to be in existance at the time of the signing of this Interlocal Operations and Maintenance Agreement.

In the event that this Interlocal Operations and Maintenance Agreement conflicts with the provisions of any other District agreement or contract presently in effect but not listed below, this Interlocal Operations and Maintenance Agreement shall govern. The Joint Board shall be responsible to consider any such agreements and contracts on an individual basis to nullify, modify or amend any such agreements or contracts and shall do so by amendment to this Interlocal Operations and Maintenance Agreement .

The following listed agreements and contracts are hereby null and void in their entirities:

RESOLUTION OF BOARD OF COMMISSIONERS OF ROSE HILL WATER DISTRICT ADOPTING INTERLOCAL GOVERNMENTAL AGREEMENT FOR CONSTRUCTION OF 14.3 MILLION GALLON RESERVOIR. (Resolution No. 737)

RESOLUTION OF THE BOARD OF COMMISSIONERS OF ROSE HILL WATER DISTRICT EXTENDING CONTRACT FOR WATER SALES TO THE CITY OF REDMOND. (Resolution No. 679)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF ROSE HILL WATER AND SEWER DISTRICT APPROVING AGREEMENT WITH CITY OF REDMOND FOR WATER DISTRIBUTION SYSTEM. (Resolution No. 648)

RESOLUTION OF THE BOARD OF COMMISSIONERS OF ROSE HILL WATER AND SEWER DISTRICT APPROVING CONTRACT FOR SALE OF WATER TO THE CITY OF REDMOND. (Resolution No. 547)

RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 APPROVING AMENDMENT TO JOINT WATER STORAGE AND DISTRIBUTION PROJECT AGREEMENTS. (Resolution No. 457)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 REQUESTING THE ESTABLISHMENT OF A JOINT MAINTENANCE FUND. (Resolution No. 257)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 ACCEPTING JOINT FACILITIES RESERVOIR CONSTRUCTION. (Resolution No. 250)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 APPROVING THE EXECUTION OF A CONTRACT FOR TELEMETERING SERVICE FOR THE JOINT FACILITIES PROJECT. (Resolution No. 248)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 ACCEPTING JOINT FACILITIES WATER MAIN CONSTRUCTION. (Resolution No. 246)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 APPROVING AN AGREEMENT FOR JOINT CONSTRUCTION OF WATER STORAGE AND DISTRIBUTION FACILITIES. (Resolution No. 233)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 APPROVING AN AGREEMENT FOR EXCHANGE OF WATER UTILITY FACILITIES WITH THE CITY OF KIRKLAND. (Resolution No. 232)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 APPROVING A CONTRACT WITH THE CITY OF KIRKLAND. (Resolution No. 118)

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 APPROVING AN AGREEMENT WITH THE CITY OF KIRKLAND. (Resolution No. 180)

A RESOLUTION OF THE COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 81 AUTHORIZING THE CREATION OF A CONTRACT WITH THE CITY OF KIRKLAND FOR THE SUPPLY OF WATER AND THE SERVICING OF A WATER DISTRIBUTION SYSTEM. (Resolution No. 9)

22. Severability. The invalidity of any clause, sentence, paragraph, subdivision, section or portion of this Agreement shall not affect the validity of the remainder of the Agreement.

23. Counterparts. This Agreement may be signed in counterparts and, if so signed, shall be deemed one integrated document.

24. Filing and Effective Date. This Agreement shall be filed with the King County Department of Records and Elections and the Secretary of State of the State of Washington and shall take effect upon approval and signature by each City.

CITY OF KIRKLAND

By _____
Its City Manager
Dated 9-29-97

Approved as to Form:
OFFICE OF THE KIRKLAND
CITY ATTORNEY

By _____
Its City Attorney
Dated 9-29-97

CITY OF REDMOND

By _____
Its EXEC ASST
Dated 9/25/97

Approved as to Form:
OFFICE OF THE REDMOND
CITY ATTORNEY

By _____
Its Assistant City Attorney
Dated 9/4/97

CITY OF BELLEVUE

By _____
Its Deputy City Mgr.
Dated 10/9/97

Approved as to Form:
OFFICE OF THE BELLEVUE
CITY ATTORNEY

By _____
Its Asst City Atty
Dated 10/6/97

3city94\operagre\rjp:nmw
4/21/94

TABLE C

JOINT OWNERSHIP FACILITIES-WATER SUPPLY, STORAGE AND TRANSMISSION

PERCENTAGE AND VALUE OF OWNERSHIP AFTER ASSUMPTION

DESCRIPTION	CITY AREA	SERVICE YEAR	ORIG. COST OR EST.	AFTER ASSUMPTION				AFTER ASSUMPTION				
				RHWD %	KRK %	REDMD %	BELL %	RHWD	KRK	REDMD	BELL	
STATION 2-12 INCH AT NE 85TH ST AND I-405	KIRKLAND	1985	$36,487	0.0%	100.0%	0.0%	0.0%	$0	$36,487	$0	$0	K-2
STATION 1-12 INCH AT NE 60TH AND I-405	KIRKLAND	1985	$36,487	0.0%	100.0%	0.0%	0.0%	$0	$36,487	$0	$0	K-1
STATION 3-12 INCH AT NE 86TH ST AND I-405	KIRKLAND	1985	$36,487	0.0%	100.0%	0.0%	0.0%	$0	$36,487	$0	$0	K-3
SUBTOTAL METERING STATIONS			$219,948					$0	$145,948	$63,500	$10,500	
TRANSMISSION MAINS-545 ZONE												
16" 132ND TRANSMISSION(1989 PWTF Loan for Main Replacement)												
9063'-16" DI ON 132ND AVE NE												
FROM NE 85TH ST TO NE 116TH ST	KIRKLAND	1990	$588,000	0.0%	66.0%	34.0%	0.0%	$0	$388,080	$199,920	$0	
55'-16" DI ON 108TH AVE NE-14.3MG RESERVOIR CONNECTION												
FROM E TO W SIDE OF 132ND AVE NE	KIRKLAND	1990	$4,000	0.0%	66.0%	34.0%	0.0%	$0	$2,640	$1,360	$0	
16" DI 11.2MG RES TO NE 55TH ST AND 140TH AVE NE(Item 3-1970 Jt. Const. Agreement)												
2500'-16" ON NE 66TH ST, 135TH AVE NE, & 136TH AVE NE												
FROM 132ND AVE NE TO S LN SW 1/4 SEC 10-25-5	REDMOND	1971	$39,350	0.0%	0.0%	25.0%	75.0%	$0	$0	$9,838	$29,513	
1370'-16" DI ON S LN SW 1/4 SEC 10-25-5												
FROM 136TH AVE NE TO 140TH AVE NE	REDMOND	1971	$21,564	0.0%	0.0%	25.0%	75.0%	$0	$0	$5,391	$16,173	
210'-16" ON 132ND AVE NE												
FROM NE 66TH ST TO NE 65TH ST	KIRKLAND	1971	$3,305	0.0%	0.0%	25.0%	75.0%	$0	$0	$826	$2,479	
340'-16" DI ON NE 65TH ST												
FROM 132ND AVE NE TO 11.2 MG RESERVOIR	KIRKLAND	1971	$5,352	0.0%	0.0%	25.0%	75.0%	$0	$0	$1,338	$4,014	
20" DI TOLT LINE TO 11.2MG RESERVOIR(Item 7 1970 Jt Const. Agreement+1983 main replacement)		4420										
290'-20" DI ON NE 65TH ST												
FROM 305' W TO 132ND AVE NE	KIRKLAND	1971	$5,394	0.0%	57.2%	29.4%	13.4%	$0	$3,085	$1,586	$723	
620'-20" DI ON 132ND AVE NE												
FROM OLD REDMOND ROAD TO NE 70TH ST	KIRKLAND	1968	$11,532	0.0%	57.2%	29.4%	13.4%	$0	$6,596	$3,390	$1,545	
2670'-20" DI ON NE 70TH ST												
FROM 132ND AVE NE TO 140TH AVE NE	REDMOND	1968	$49,663	0.0%	57.2%	29.4%	13.4%	$0	$28,407	$14,601	$6,655	
895'-16" DI ON 132ND AVE NE												
FROM OLD REDMOND ROAD TO NE 65TH ST	KIRKLAND	1983	$58,000	0.0%	41.2%	58.8%	0.0%	$0	$23,890	$34,110	$0	
700'-16" ON 132ND AVE NE												
FROM OLD REDMOND RD TO NE 66TH ST	KIRKLAND	1968	$13,020	0.0%	0.0%	25.0%	75.0%	$0	$0	$4,765	$8,255	
24"-NE 85TH TOLT CONNECTION TO NE 70TH(1983 Jt. Const. Agreement)												
4260'-24" DI ON 132ND AVE NE												
FROM NE 70TH ST TO SR-908(NE 85TH ST)	KIRKLAND	1983	$480,005	0.0%	66.0%	34.0%	0.0%	$0	$316,804	$163,202	$0	
INLET-OUTLET MAINS TO 14.3 MG RESERVOIR(1991 Jt. Const.Agreement)												
1993 CWIP ADDITIONS-16" INLET,18" AND 12" OUTLET, STORM												
AND SANITARY DRAINS, AND CONTROL PUMP STATION AT	KIRKLAND	1993	$313,753	0.0%	66.0%	34.0%	0.0%	$0	$207,077	$106,676	$0	
14.3 MG RESERVOIR SITE BTW 132ND IND 129TH PL. N.E.												
TRANSMISSION MAINS-650 ZONE-650 PUMP SATION TO 132ND-DISTRIBUTION/TRANSMISSION LOOP												
320'-12" DI ON NE 65TH ST												
FROM 132ND AVE NE TO 280' E OF 130TH AVE NE		1968	$8,000	0.0%	86.0%	14.0%	0.0%	$0	$6,880	$1,120	$0	
830'-12" DI ON 132ND AVE NE												
FROM OLD REDMOND ROAD TO NE 65TH ST		1983	$28,953	0.0%	86.0%	14.0%	0.0%	$0	$24,900	$4,053	$0	
265'-12" DI ON NE 65TH ST												
FROM 130TH AVE NE TO 280' E OF 130TH AVE NE		1968	$5,000	0.0%	86.0%	14.0%	0.0%	$0	$4,300	$700	$0	
1090'-12" DI ON 130TH AVE NE												
FROM NE 65TH ST TO NE 70TH ST		1963	$16,000	0.0%	86.0%	14.0%	0.0%	$0	$13,760	$2,240	$0	
950'-12" DI ON NE 70TH ST												
FROM 132ND AVE NE TO 130TH AVE NE		1990	$59,916	0.0%	86.0%	14.0%	0.0%	$0	$51,528	$8,388	$0	
SUBTOTAL TRANSMISSION MAINS			$1,710,809					$0	$1,077,948	$563,505	$69,357	
TOTAL DISTRIBUTION FACILITIES			$1,930,757					$0	$1,223,896	$627,005	$79,857	
TOTAL JOINT FACILITIES			$6,588,880					$0	$4,286,138	$2,130,224	$172,519	

TABL V-2B
JOINT OWNERSHIP FACILITIES-WATER SUPPLY, STORAGE AND TRANSMISSION
PERCENTAGE AND VALUE OF OWNERSHIP BEFORE ASSUMPTION

DESCRIPTION	CITY AREA	SERVICE YEAR	ORIG. COST OR EST.	BEFORE ASSUMPTION				BEFORE ASSUMPTION			
				RHWD %	KRK %	REDMD %	BELL %	RHWD	KRK	REDMD	BELL
WATER SUPPLY FACILITIES											
WATER SUPPLY METERS FROM CITY OF SEATTLE											
STATION 5-12 INCH AT NE 116TH ST AND 132ND AVE NE	KIRKLAND	1959/1983	$45,000	15.0%	85.0%	0.0%	0.0%	$6,750	$38,250	$0	$0
FROM SEATTLE, WITH 12 X 4 PRV											
STATION 7A-16 INCH AT SR 908 AND 132ND AVE NE	REDMOND	1984	$32,000	50.0%	50.0%	0.0%	0.0%	$16,000	$16,000	$0	$0
FROM SEATTLE, WITH 10" & 12" BALL VALVES											
STATION 8-12 INCH AT NE 70TH ST AND 140TH AVE NE	REDMOND	1959/1968	$13,000	36.6%	50.0%	0.0%	13.4%	$4,758	$6,500	$0	$1,742
FROM SEATTLE, WITH 12" BALL VALVES AND 8" PRV											
WATER SUPPLY PRESSURE REGULATING STATIONS											
PRESURE REDUCING STATION SW TO 545 ZONE	KIRKLAND	1988	$27,000	100.0%	0.0%	0.0%	0.0%	$27,000	$0	$0	$0
PRESSURE REDUCING STATION SW TO 650 ZONE	REDMOND	1968	$8,000	100.0%	0.0%	0.0%	0.0%	$8,000	$0	$0	$0
LOCATED AT N LN SW 1/4 SEC 10-25-5,											
1100' W OF 140TH AVE NE											
PRESSURE REDUCING STATION SW TO 650 ZONE	KIRKLAND	1988	$33,000	100.0%	0.0%	0.0%	0.0%	$33,000	$0	$0	$0
LOCATED AT NE 85TH ST AND 132ND AVE NE											
TOTAL WATER SUPPLY FACILITIES			$158,000					$95,508	$60,750	$0	$1,742
PUMPING PLANT											
8000 GPM, TWO PUMPS WITH POWER GENERATION-	REDMOND	1984	$423,647	60.5%	39.5%	0.0%	0.0%	$255,566	$168,081	$0	$0
545 ZONE INCLUDING TELEMETRY, LAND AND CONNECTING 16" AND		(LAND)	$51,775	60.5%	39.5%	0.0%	0.0%	$31,245	$20,530	$0	$0
20" DI WATER MAINS TO 132ND AVE NE TO N OF SR 908-W OF SITE											
SE CORNER OF SR 908 AND 132ND AVE NE											
3250 GPM, 5 PUMPS, TWO EQUIPED WITH	KIRKLAND	1969	$70,000	100.0%	0.0%	0.0%	0.0%	$70,000	$0	$0	$0
VARIABLE FREQUENCY DRIVE-650 ZONE											
SE CORNER OF NE 65TH ST AND 130TH AVE NE											
1993 CIP ADDITION-650 ZONE PS WIRING FOR EMERGENCY POWER	KIRKLAND	1993	$39,945	100.0%	0.0%	0.0%	0.0%	$39,945	$0	$0	$0
1993 CIP ADDITION-650 ZONE PS EMERGENCY POWER GENERATOR	KIRKLAND	1993	$54,508	100.0%	0.0%	0.0%	0.0%	$54,508	$0	$0	$0
SUBTOTAL LAND			$51,775					$31,245	$20,530	$0	$0
SUBTOTAL FACILITIES			$588,100					$420,019	$168,081	$0	$0
TOTAL PUMPING PLANT			$639,875					$451,264	$188,611	$0	$0
TRANSMISSION AND DISTRIBUTION											
RESERVOIRS											
11.2 MG STEEL AND TELEMETRY	KIRKLAND	1972	$701,949	36.6%	50.0%	0.0%	13.4%	$266,122	$344,906	$0	$90,920
SE CORNER OF NE 65TH ST AND 130TH AVE NE											
1993 CIP ADDITION-14.3 MG STEEL	KIRKLAND	1993	$3,158,299	49.6%	50.4%	0.0%	0.0%	$1,599,206	$1,559,093	$0	$0
ADJSCENT KIRKLAND MARK TWAIN PARK											
SW CORNER OF NE 108TH ST AND 132ND AVE NE											
TOTAL RESERVOIRS			$3,860,248					$1,865,328	$1,903,999	$0	$90,920
DISTRIBUTION											
REDMOND METERING STATIONS											
STATION 11-6 INCH AT NE 51ST ST AND	REDMOND	1982	$14,000	0.0%	0.0%	100.0%	0.0%	$0	$0	$14,000	$0
W LK SAMMAMISH PKWY NE											
STATION R1-6 INCH AT LEARY WAY NE AND	REDMOND	1986	$16,000	0.0%	0.0%	100.0%	0.0%	$0	$0	$16,000	$0
SAMMAMISH RIVER											
STATION R2-6 INCH AT NE 85TH ST AND	REDMOND	1986	$16,000	0.0%	0.0%	100.0%	0.0%	$0	$0	$16,000	$0
SAMMAMISH RIVER											
STATION R3-6 INCH AT NE 51ST ST AND	REDMOND	1986	$14,000	0.0%	0.0%	100.0%	0.0%	$0	$0	$14,000	$0
156TH AVE NE											
BELLEVUE METERING STATION											
STATION 10-6 INCH AT 140TH AVE NE AND	BELLEVUE	1982	$14,000	25.0%	0.0%	0.0%	75.0%	$3,500	$0	$0	$10,500
NE 61ST ST											
KIRKLAND METERING STATIONS-METERED SUPPLY TO KIRKLAND											
STATION 4-8 INCH AT NE 116TH ST AND I-405	KIRKLAND	1985	$36,487	50.0%	50.0%	0.0%	0.0%	$18,244	$0	$0	$0

TABLE IV-2B
JOINT OWNERSHIP FACILITIES-WATER SUPPLY, STORAGE AND TRANSMISSION
PERCENTAGE AND VALUE OF OWNERSHIP BEFORE ASSUMPTION

DESCRIPTION	CITY AREA	SERVICE YEAR	ORIG. COST OR EST.	BEFORE ASSUMPTION				BEFORE ASSUMPTION			
				RHWD %	KRK %	REDMD %	BELL %	RHWD	KRK	REDMD	BELL
STATION 2-12 INCH AT NE 85TH ST AND I-405	KIRKLAND	1985	$36,487	50.0%	50.0%	0.0%	0.0%	$18,244	$0	$0	$0
STATION 1-12 INCH AT NE 60TH AND I-405	KIRKLAND	1985	$36,487	50.0%	50.0%	0.0%	0.0%	$18,244	$0	$0	$0
STATION 3-12 INCH AT NE 86TH ST AND I-405	KIRKLAND	1985	$36,487	50.0%	50.0%	0.0%	0.0%	$18,244	$0	$0	$0
SUBTOTAL METERING STATIONS			$219,948					$76,474	$0	$60,000	$10,500
TRANSMISSION MAINS-545 ZONE											
16" 132ND TRANSMISSION(1989 PWTF Loan for Main Replacement)											
9063'-16" DI ON 132ND AVE NE	KIRKLAND	1990	$588,000	100.0%	0.0%	0.0%	0.0%	$588,000	$0	$0	$0
FROM NE 85TH ST TO NE 116TH ST											
55'-16" DI 0N 108TH AVE NE-14.3MG RESERVOIR CONNECTION	KIRKLAND	1990	$4,000	100.0%	0.0%	0.0%	0.0%	$4,000	$0	$0	$0
FROM E TO W SIDE OF 132ND AVE NE											
16" DI 11.2MG RES TO NE 55TH ST AND 140TH AVE NE(Item 3-1970 Jt. Const. Agreement)											
2500'-16" ON NE 66TH ST, 135TH AVE NE, & 136TH AVE NE	REDMOND	1971	$39,350	25.0%	0.0%	0.0%	75.0%	$9,838	$0	$0	$29,513
FROM 132ND AVE NE TO S LN SW 1/4 SEC 10-25-5											
1370'-16" DI ON S LN SW 1/4 SEC 10-25-5	REDMOND	1971	$21,564	25.0%	0.0%	0.0%	75.0%	$5,391	$0	$0	$16,173
FROM 136TH AVE NE TO 140TH AVE NE											
210'-16" ON 132ND AVE NE	KIRKLAND	1971	$3,305	25.0%	0.0%	0.0%	75.0%	$826	$0	$0	$2,479
FROM NE 66TH ST TO NE 65TH ST											
340'-16" DI ON NE 65TH ST	KIRKLAND	1971	$5,352	25.0%	0.0%	0.0%	75.0%	$1,338	$0	$0	$4,014
FROM 132ND AVE NE TO 11.2 MG RESERVOIR		4420									
20" DI TOLT LINE TO 11.2MG RESERVOIR(Item 7 1970 Jt Const. Agreement+1983 main replacement)											
290'-20" DI ON NE 65TH ST	KIRKLAND	1971	$5,394	36.6%	50.0%	0.0%	13.4%	$1,974	$2,697	$0	$723
FROM 305' W TO 132ND AVE NE											
620'-20" DI ON 132ND AVE NE	KIRKLAND	1968	$11,532	36.6%	50.0%	0.0%	13.4%	$4,221	$5,766	$0	$1,545
FROM OLD REDMOND ROAD TO NE 70TH ST											
2670'-20" DI ON NE 70TH ST	REDMOND	1968	$49,663	36.6%	50.0%	0.0%	13.4%	$18,177	$24,832	$0	$6,655
FROM 132ND AVE NE TO 140TH AVE NE											
895'-16" DI ON 132ND AVE NE	KIRKLAND	1983	$58,000	100.0%	0.0%	0.0%	0.0%	$58,000	$0	$0	$0
FROM OLD REDMOND ROAD TO NE 65TH ST											
700'-16" ON 132ND AVE NE	KIRKLAND	1968	$13,020	25.0%	0.0%	0.0%	75.0%	$4,765	$0	$0	$8,255
FROM OLD REDMOND RD TO NE 66TH ST											
24"-NE 85TH TOLT CONNECTION TO NE 70TH(1983 Jt. Const. Agreement)											
4260'-24" DI ON 132ND AVE NE	KIRKLAND	1983	$480,005	60.5%	39.5%	0.0%	0.0%	$288,915	$191,091	$0	$0
FROM NE 70TH ST TO SR-908(NE 85TH ST)											
INLET-OUTLET MAINS TO 14.3 MG RESERVOIR(1991 Jt. Const.Agreement)											
1993 CWIP ADDITIONS-16" INLET,18" AND 12" OUTLET, STORM	KIRKLAND	1993	$313,753	49.6%	50.4%	0.0%	0.0%	$156,378	$157,375	$0	$0
AND SANITARY DRAINS, AND CONTROL PUMP STATION AT											
14.3 MG RESERVOIR SITE BTW 132ND 1ND 129TH PL. N.E.											
TRANSMISSION MAINS-650 ZONE-650 PUMP SATION TO 132ND-DISTRIBUTION/TRANSMISSION LOOP											
320'-12" DI ON NE 65TH ST		1968	$8,000	100.0%	0.0%	0.0%	0.0%	$8,000	$0	$0	$0
FROM 132ND AVE NE TO 280' E OF 130TH AVE NE											
830'-12" DI ON 132ND AVE NE		1983	$28,953	100.0%	0.0%	0.0%	0.0%	$28,953	$0	$0	$0
FROM OLD REDMOND ROAD TO NE 65TH ST											
265'-12" DI ON NE 65TH ST		1968	$5,000	100.0%	0.0%	0.0%	0.0%	$5,000	$0	$0	$0
FROM 130TH AVE NE TO 280' E OF 130TH AVE NE											
1090'-12" DI ON 130TH AVE NE		1968	$16,000	100.0%	0.0%	0.0%	0.0%	$16,000	$0	$0	$0
FROM NE 65TH ST TO NE 70TH ST											
950'-12" DI ON NE 70TH ST		1990	$59,916	100.0%	0.0%	0.0%	0.0%	$59,916	$0	$0	$0
FROM 132ND AVE NE TO 130TH AVE NE											
SUBTOTAL TRANSMISSION MAINS			$1,710,809					$1,259,692	$381,760	$0	$69,357
TOTAL DISTRIBUTION FACILITIES			$1,930,757					$1,336,166	$381,760	$60,000	$79,857
TOTAL JOINT FACILITIES			$6,588,880					$3,748,267	$2,535,121	$60,000	$172,519

TABLE V-2C
JOINT OWNERSHIP FACILITIES-WATER SUPPLY, STORAGE AND TRANSMISSION
PERCENTAGE AND VALUE OF OWNERSHIP AFTER ASSUMPTION

DESCRIPTION	CITY AREA	SERVICE YEAR	ORIG. COST OR EST.	AFTER ASSUMPTION				AFTER ASSUMPTION				
				RHWD %	KRK %	REDMD %	BELL %	RHWD	KRK	REDMD	BELL	
WATER SUPPLY FACILITIES												
WATER SUPPLY METERS FROM CITY OF SEATTLE												
STATION 5-12 INCH AT NE 116TH ST AND 132ND AVE NE	KIRKLAND	1959/1988	$45,000	0.0%	66.0%	34.0%	0.0%	$0	$29,700	$15,300	$0	S-3
FROM SEATTLE, WITH 12 X 4 PRV												
STATION 7A-16 INCH AT SR 908 AND 132ND AVE NE	REDMOND	1984	$32,000	0.0%	66.0%	34.0%	0.0%	$0	$21,120	$10,880	$0	S-2
FROM SEATTLE, WITH 10" & 12" BALL VALVES												
STATION 8-12 INCH AT NE 70TH ST AND 140TH AVE NE	REDMOND	1959/1968	$13,000	0.0%	57.2%	29.4%	13.4%	$0	$7,436	$3,822	$1,742	S-1
FROM SEATTLE, WITH 12" BALL VALVES AND 8" PRV												
WATER SUPPLY PRESSURE REGULATING STATIONS												
PRESURE REDUCING STATION SW TO 545 ZONE	KIRKLAND	1988	$27,000	0.0%	66.0%	34.0%	0.0%	$0	$17,820	$9,180	$0	
PRESSURE REDUCING STATION SW TO 650 ZONE	REDMOND	1968	$8,000	0.0%	86.0%	14.0%	0.0%	$0	$6,880	$1,120	$0	
LOCATED AT N LN SW 1/4 SEC 10-25-5,												
1100' W OF 140TH AVE NE												
PRESSURE REDUCING STATION SW TO 650 ZONE	KIRKLAND	1988	$33,000	0.0%	86.0%	14.0%	0.0%	$0	$28,380	$4,620	$0	
LOCATED AT NE 85TH ST AND 132ND AVE NE												
TOTAL WATER SUPPLY FACILITIES			$158,000					$0	$111,336	$44,922	$1,742	
PUMPING PLANT												
8000 GPM, TWO PUMPS WITH POWER GENERATION-	REDMOND	1984	$423,647	0.0%	66.0%	34.0%	0.0%	$0	$279,607	$144,040	$0	S-2
545 ZONE INCLUDING TELEMETRY, LAND AND CONNECTING 16" AND		(LAND)	$51,775	0.0%	66.0%	34.0%	0.0%	$0	$34,171	$17,603	$0	
20" DI WATER MAINS TO 132ND AVE NE TO N OF SR 908-W OF SITE												
SE CORNER OF SR 908 AND 132ND AVE NE												
3250 GPM, 5 PUMPS, TWO EQUIPED WITH	KIRKLAND	1969	$70,000	0.0%	86.0%	14.0%	0.0%	$0	$60,200	$9,800	$0	S RES. P.S.
VARIABLE FREQUENCY DRIVE-650 ZONE												
SE CORNER OF NE 65TH ST AND 130TH AVE NE												
1993 CIP ADDITION-650 ZONE PS WIRING FOR EMERGENCY POWER	KIRKLAND	1993	$39,945	0.0%	86.0%	14.0%	0.0%	$0	$34,353	$5,592	$0	
1993 CIP ADDITION-650 ZONE PS EMERGENCY POWER GENERATOR	KIRKLAND	1993	$54,508	0	100.0%	0.0%	0.0%	$0	$54,508	$0	$0	S RES P.S
SUBTOTAL LAND			$51,775					$0	$34,171	$17,603	$0	
SUBTOTAL FACILITIES			$588,100					$0	$428,668	$159,432	$0	
TOTAL PUMPING PLANT			$639,875					$0	$462,839	$177,036	$0	
TRANSMISSION AND DISTRIBUTION												
RESERVOIRS												
11.2 MG STEEL AND TELEMETRY	KIRKLAND	1972	$701,949	0.0%	57.2%	29.4%	13.4%	$0	$403,589	$207,439	$90,920	S RES
SE CORNER OF NE 65TH ST AND 130TH AVE NE												
1993 CIP ADDITION-14.3 MG STEEL	KIRKLAND	1993	$3,158,299	0.0%	66.0%	34.0%	0.0%	$0	$2,084,478	$1,073,822	$0	N RES
ADJSCENT KIRKLAND MARK TWAIN PARK												
SW CORNER OF NE 108TH ST AND 132ND AVE NE												
TOTAL RESERVOIRS			$3,860,248					$0	$2,488,067	$1,281,261	$90,920	
DISTRIBUTION												
REDMOND METERING STATIONS												
STATION 11-6 INCH AT NE 51ST ST AND	REDMOND	1982	$14,000	0.0%	0.0%	100.0%	0.0%	$0	$0	$14,000	$0	R-1
W LK SAMMAMISH PKWY NE												
STATION R1-6 INCH AT LEARY WAY NE AND	REDMOND	1986	$16,000	0.0%	0.0%	100.0%	0.0%	$0	$0	$16,000	$0	R-3
SAMMAMISH RIVER												
STATION R2-6 INCH AT NE 85TH ST AND	REDMOND	1986	$16,000	0.0%	0.0%	100.0%	0.0%	$0	$0	$16,000	$0	R-4
SAMMAMISH RIVER												
STATION R3-6 INCH AT NE 51ST ST AND	REDMOND	1986	$14,000	0.0%	0.0%	100.0%	0.0%	$0	$0	$14,000	$0	R-2 (Not monitored)
156TH AVE NE												
BELLEVUE METERING STATION												
STATION 10-6 INCH AT 140TH AVE NE AND	BELLEVUE	1982	$14,000	0.0%	0.0%	25.0%	75.0%	$0	$0	$3,500	$10,500	B-1
NE 61ST ST												
KIRKLAND METERING STATIONS-METERED SUPPLY TO KIRKLAND												
STATION 4-8 INCH AT NE 116TH ST AND I-405	KIRKLAND	1985	$36,487	0.0%	100.0%	0.0%	0.0%	$0	$36,487	$0	$0	K-4

ORIGINAL

FILED NO. 11824
CITY OF BELLEVUE
DATE 12/4/86
CITY CLERK Marie O'Connell
Res. 4820

4352m

WATER FACILITY TRANSFER AGREEMENT

North 300 Zone on Bellevue Way

This agreement made and entered into this 29th of December, 1986, by and between the City of Kirkland, a municipal corporation of the State of Washington, herinafter referred to as "Kirkland" and the City of Bellevue, a municipal corporation of the State of Washington, hereinafter referred to as "Bellevue",

WITNESSETH:

WHEREAS, Kirkland and Bellevue are authorized by Chapter 39.34 RCW, the Interlocal Cooperation Act, to enter into cooperative agreements; and

WHEREAS, the Kirkland water service area and its water system lie adjacent to the subject area described and designated on Exhibit A (attached hereto and by this reference incorporated herein); and

WHEREAS, Kirkland can serve the subject area more cost-effectively and the transfer of facilities can be implemented with minimal cost and effort; and

WHEREAS, both parties desire wherever possible and convenient to mutually assist one another;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it is hereby agreed as follows:

Section 1. The purpose of this agreement is to transfer water supply facilities in the subject area from Bellevue to Kirkland subject to the conditions stated herein.

Section 2. All water service facilities within the subject area described and designated on Exhibit A shall become the property of

Kirkland.

Section 3. Kirkland agrees to cap the existing water line on 104th Avenue Northeast at two sites and install a two-inch blow-off assembly in the line on Northeast Lake Washington Boulevard as shown on Exhibit A. This work is to be completed within three months of execution of this agreement and must comply with Bellevue regulations for such work.

Section 4. Each party agrees to provide the other party emergency water service through the water lines along Northeast Northrup Way and Northeast Lake Washington Boulevard. The party using the emergency service must notify the other party of its use within twelve (12) hours and an estimated quantity of water used within three days after the emergency connection is shut off. The party providing the water for emergency use may charge the using party at its wholesale rate plus forty-five percent.

Section 5. The property at 3645 Bellevue Way Northeast will continue to be a water service customer of Bellevue. Bellevue will continue to read the water service meter, bill the customer and respond to customer inquiries. Kirkland will provide water to Bellevue for this customer at its current wholesale rate and assure continued water supply at or above existing standards. Bellevue will reimburse Kirkland for this water bimonthly and provide consumption records upon request.

Section 6. With the exception of the facilities designated in Exhibit A to be transferred to Kirkland, neither party shall by virtue of this agreement acquire any proprietary or governmental interest in the water system of the other party. Each party shall be solely responsible for the operation and maintenance of its own system of water

distribution and shall save the other party harmless from any claim for damage, real or imaginary, made by a third party, and alleging negligence or misfeasance in the operation or maintenance of the other party's system, or in the acts of omissions of its own officers or employees.

Section 7. This interlocal agreement shall become effective upon authorized signature of both parties and shall remain in effect in perpetuity or until terminated or amended by written agreement of both parties.

Section 8. This interlocal agreement shall be administered jointly by the Public Works Director or designee of each respective party.

Section 9. A copy of this interlocal agreement shall be filed with the City Clerk of each respective city, the County Auditor and the Secretary of State.

Section 10. This writing embodies the entire agreement of the parties. There are no promises, terms, conditions, or obligations other than those contained herein. This agreement may be amended only by written instrument signed by both parties.

By Terrence J. Ellis Date 12/29/86
CITY OF KIRKLAND

Approved as to form:

Ralph E. [illegible] Date 12/29/86
City Attorney for
CITY OF KIRKLAND

By Pam Bissonnette Date 12/10/86
CITY OF BELLEVUE

Approved as to form:

City Attorney for
CITY OF BELLEVUE

Date January 4 1986

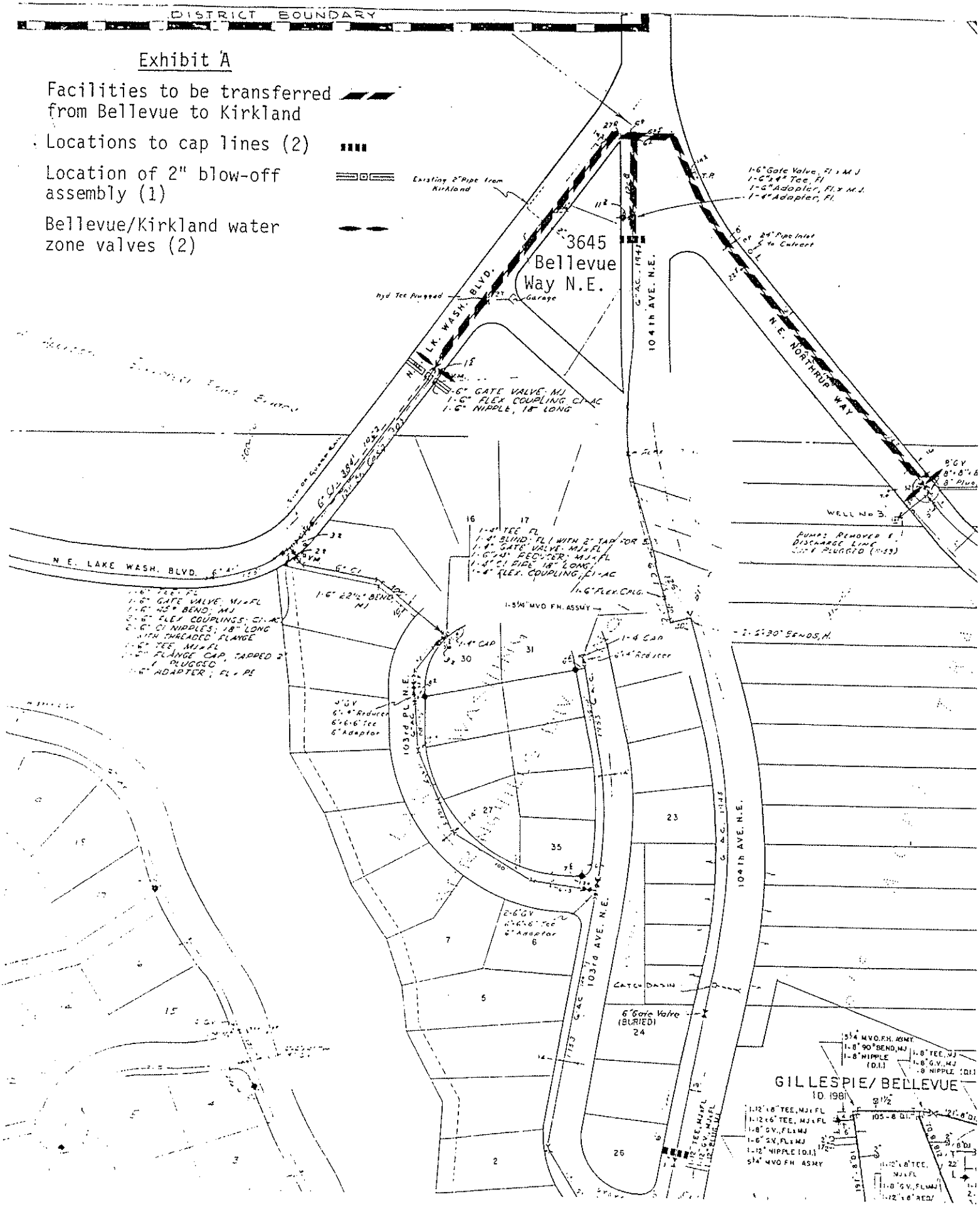
Exhibit A

Facilities to be transferred from Bellevue to Kirkland

Locations to cap lines (2)

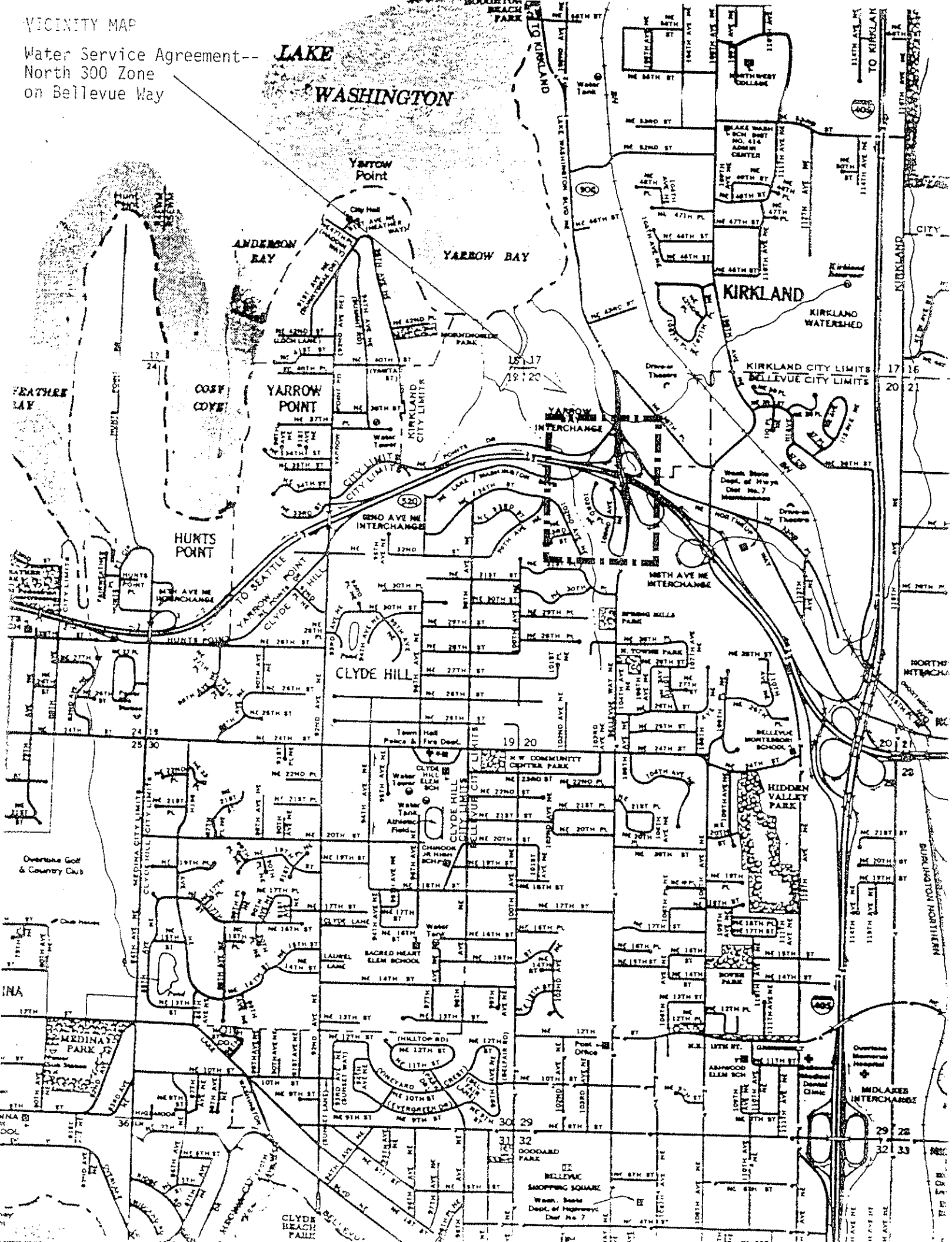
Location of 2" blow-off assembly (1)

Bellevue/Kirkland water zone valves (2)



VICINITY MAP

Water Service Agreement--
North 300 Zone
on Bellevue Way



457-3

FILED NO. 8252
CITY OF BELLEVUE
DATE 5-21-83
CITY CLERK [signature]
O'Connell
Res. No. 4163

AMENDMENT TO JOINT WATER STORAGE AND DISTRIBUTION PROJECT AGREEMENTS

King County Water District No. 81, City of Kirkland and City of Bellevue, all municipal corporations, do hereby agree as follows:

1. Purpose. The City of Kirkland, King County Water District No. 81 and King County Water District No. 99 entered into an agreement for the joint construction of a water reservoir, telemetering system and certain distribution mains, dated December 1, 1970 and entitled "Agreement for Construction of Water Storage and Distribution Project" (herein called the Joint Construction Agreement). The improvements contemplated by the Joint Construction Agreement were completed, and the City of Bellevue succeeded to the interest of King County Water District No. 99. The parties hereto then entered an agreement to provide for the maintenance and operation of the jointly constructed facilities dated June 1, 1973 and entitled "Agreement for Joint Maintenance and Operation of Water Storage and Distribution Project" (herein called the Joint Operating Agreement).

The City of Seattle has announced its intention to reduce the minimum hydraulic gradient in its supply line serving the jointly constructed facilities. This action necessitates the construction of a pumping station and transmission lines so that sufficient water pressure can be generated to regularly refill the jointly constructed water reservoir.

The City of Bellevue does not wish to contribute to the cost of the necessary pumps and other improvements, since it does not regularly

draw down and use water from the water reservoir. Though its predecessor envisioned using the water reservoir in regular customer service, the City of Bellevue has not utilized the jointly constructed storage facilities significantly in its daily distribution of water to customers. However, the City of Bellevue desires to maintain its interest in the jointly constructed facilities and to utilize the water storage facility for emergency or back-up purposes.

The parties, therefore, intend to amend their Joint Construction Agreement and Joint Operating Agreement to excuse the City of Bellevue from participation in the costs of a new pumping station and transmission lines, to modify provisions for use of the water reservoir by the City of Bellevue to conform with present practice and to provide for reasonable service charges for the few customers of the City of Bellevue receiving water through the jointly constructed facilities.

2. Construction of New Pumping Station and Transmission Lines. The City of Kirkland and King County Water District No. 81 may construct and operate a new pumping station and transmission lines to serve the jointly constructed water reservoir. The costs and management of such construction and operation shall be undertaken by the City of Kirkland and King County Water District No. 81 pursuant to such separate agreements as they may reach. The City of Bellevue shall not participate in or contribute to the construction or operation of such projects.

3. Use of Joint Facilities. Paragraph 5 of the Joint Construction Agreement is hereby amended to provide that the City of Bellevue's use of and right to draw water from the jointly constructed water reservoir is limited to emergency or back-up use in the event of the break in a main, major fire or other unusual occurrence, not general to the area served by the parties, subject to the provisions of paragraph, 4 below.

Unless otherwise agreed between them, the City of Kirkland and King County Water District No. 81 shall be entitled to share equally the benefit of the storage facility in their daily operations.

4. Sale of Water to Bellevue. Approximately fifty Bellevue customers receive water through the jointly constructed facilities. The District shall continue to sell the City of Bellevue water to serve these customers and future new hookups in their vicinity. Notwithstanding any provisions in the Joint Construction Agreement or Joint Operation Agreement to the contrary, the City of Bellevue shall henceforth pay the District for water sold to it a sum equal to the District's cost of purchase of the water plus forty-six percent (46%) thereon, plus a pro-rata share (based on the ration of the amount of water sold the City of Bellevue to the total amount of water purchased from the City of Seattle by the District) of the expenses or charges to the District for demand charges, purveyor committee dues or contributions, legal expenses, capital improvements, conservation or emergency surcharges or other assessments by the City of Seattle, which are due from the District under its long term supply contract with the City of Seattle.

5. Future Maintenance and Repair. The parties acknowledge that the water reservoir must be repainted no later than 1985 and that the estimated cost of such work is $250,000. The cost of repainting the water reservoir and other costs of maintenance and repair of the jointly operated water reservoir, telemetery and distribution mains shall be governed by the Joint Operating Agreement and Joint Facilities Agreement and shall be shared by the parties pursuant to the formulas contained therein, which is presently:

City of Kirkland	50%
City of Bellevue	13.4%
Water District No. 81	36.6%

457-5

6. Effect. Except as expressly modified by this writing or by other written agreements between or among the parties, the Joint Operating Agreement and Joint Construction Agreement shall remain in full force and effect.

DATED: 4/1/83

CITY OF KIRKLAND

BY: _____
City Manager

BY: _____
Clerk

KING COUNTY WATER DISTRICT NO. 81

BY: Roger A. Crocker
President, Board of Commissioners

BY: Leo F. How
Secretary, Board of Commissioners

CITY OF BELLEVUE

BY: _____
City Manager

BY: Marie F. O'Connell
Clerk

APPROVED AS TO FORM:

Assistant City Attorney

BELLEVUE DEPT. OF
DEC 30 1974
Received by

AGREEMENT FOR JOINT MAINTENANCE AND OPERATION OF WATER STORAGE AND DISTRIBUTION PROJECT

AGREEMENT among CITY OF KIRKLAND, KING COUNTY WATER DISTRICT NO. 81 and CITY OF BELLEVUE, all municipal corporations of the State of Washington.

1. Purpose. The City of Kirkland, King County Water District No. 81 and King County Water District No. 99 previously entered into an agreement, dated December 1, 1970, entitled "Agreement for Joint Construction of Water Storage and Distribution Project." Pursuant to the agreement, a water storage reservoir, telemetering system, and certain distribution mains were constructed and are now in operation. The City of Bellevue, by contract, has succeeded to the interest of King County Water District No. 99 in the said joint project. The purpose of this agreement is to provide for the joint maintenance of the said project, pursuant to paragraph 17 of the construction agreement.

2. Definitions. The words defined in paragraph 1 of the construction agreement shall have the same meaning herein.

3. Control Board. The Control Board established pursuant to paragraph 11 of the construction agreement shall continue for the purpose of operation of the joint facilities. In order to carry out the purpose of this agreement, and within its provisions, the Control Board, by majority vote, shall determine such matters of operating policy as may not be specifically covered herein and as may arise from time to time. The Board by unanimous vote, may appoint an operating committee consisting of one or more employees of the parties with such powers and duties as may be determined by the Board. The Board shall meet at least semi-annually, in April and October at a time mutually convenient to the members, and may meet at any other time on the call of any member, or by mutual agreement. The Control Board member representing the City of Bellevue shall be the City Manager of the City of Bellevue.

4. Operating agent. King County Water District No. 81 shall be the agent of the parties, acting under the direction of the Control Board, in operating the joint facilities pursuant to this agreement.

5. Water. All water consumed by Kirkland and District 81, and a part of the water consumed by Bellevue, is supplied by the City of Seattle through master meters from the East Side supply line to the District 81 system. Water furnished from the District 81 system to Kirkland and Bellevue is measured by secondary master meters. It is recognized that some leakage in the District 81 distribution system supplying the secondary master meters, slippage and errors in the secondary master meters, and loss from ruptures in the District 81 system or for some other causes, will occur. The Control Board shall determine a reasonable addition to the water shown to pass through the secondary master meters, to compensate for such loss factors. Until such determination, the initial percentages to be added to the secondary meter readings shall be:

City of Kirkland	15%
City of Bellevue	2%

The water consumed by District 81 is assumed to be the difference between the Seattle master meter readings and the readings from the secondary master meters, adjusted for loss. In any event, it is the intent of this agreement that each party shall pay its fair share of the water jointly purchased from Seattle. District 81 will bill each party for its share of water consumed, and each party shall reimburse the Joint Maintenance Fund promptly. The foregoing percentages will be adjusted at the end of each year to reflect actual losses. District 81 will keep records sufficient to substantiate the adjusted percentages.

6. Insurance. The Control Board shall determine the nature and amount of hazard and liability insurance to be provided for the joint facilities and their operation. District 81 shall procure

such insurance in its name, and the cost shall be pro-rated among the parties in such manner, determined by the Control Board, as shall fairly represent the proportion of benefit which each party is entitled to receive from the joint facilities. Each party shall be entitled to obtain any additional insurance which it may wish.

7. Mutual Aid. Each party agrees to render emergency assistance to the other parties for the maintenance and repair of the parties' respective water distribution systems, upon request, and to the extent facilities should be available. A party so rendering assistance shall be entitled to be reimbursed for the reasonable cost incurred by it.

8. Finances. Water District 81 shall cause to be maintained in the office of the King County Treasurer a fund to be known as "Joint Maintenance Fund". All funds received from the parties or from any other source, pursuant to this agreement, shall be deposited as received in the said fund. Warrants shall be drawn by the King County Department of Budgets & Accounts for payment by the King County Treasurer, on vouchers prepared by Water District 81 and approved by its Commissioners in the same manner as other warrants issued pursuant to claim vouchers approved by Water District 81. To provide initial operating funds, each district shall contribute to the Joint Maintenance Fund the amount set opposite its name below:

City of Kirkland	50%	$1800
Water District 81	36.6%	$1318
City of Bellevue	13.4%	$ 482

Water District 81 shall bill each of the parties for its share of the operating expense incurred, periodically, and each party shall remit its share of said expense promptly to Water District 81. Water District 81 will contribute its share of operating expense by transfer from its Maintenance Fund to the Joint Maintenance Fund. District 81 will furnish each of the parties a monthly account of receipts and disbursements.

9. Fixed monthly expense. (a) The expected regularly recurring fixed expenses of administering the project are set out in the attached Schedule B, and shall be paid monthly by the component agencies in the following proportions:

City of Kirkland	50%
Water District 81	36.6%
City of Bellevue	13.4%

(b) The amounts shown in Schedule B are based on present costs to Water District 81 and are to be adjusted in the future by the Control Board to conform to changes in costs or as the result of experience in administering the project, to the end that Water District 81 will be fully reimbursed for its actual cost of administration.

10. Other expense. (a) In addition to the fixed monthly expense described in the preceding paragraph, certain items of maintenance should be performed yearly and other work will be performed as needed. A description of these items is set out in the attached Schedule C.

(b) The work described in this paragraph which is for the benefit of the whole project, will be shared in the same proportions as the fixed monthly expense described in the preceding paragraph. Other work which may be required, such as repair or replacement of portions of the water mains of the project shall be billed and paid in the proportions set out in the agreement of December, 1970, for sharing the capital cost for the facility repaired or replaced.

(c) For the work referred to in this paragraph, Water District 81 shall be reimbursed for its actual expense plus 10% for general overhead. The use of its equipment shall be charged at the current rental rate used by District 81 in its cost accounting, and its actual payroll cost for the employee's time, including all payroll taxes and fringe benefits. A schedule of current hourly rates for employees and equipment is attached as Schedule A of this agreement.

11. Effective date. The effective date of this agreement is September 1, 1972, and the component agencies shall be billed and shall reimburse Water District 81 for the recurring expense and any non-recurring expense which occurred from that date forward at the rate set out in this agreement.

Dated June 1, 1973.

CITY OF KIRKLAND

By _____
Mayor

By _____
Clerk

KING COUNTY WATER DISTRICT NO. 81

By _____
President

By _____
Secretary

CITY OF BELLEVUE

By _____
City Manager

SCHEDULE A

HOURLY RATES FOR PERSONNEL AND EQUIPMENT

The present hourly rates for personnel and equipment of Water District 81, as referred to in paragraph 10, are as follows:

Personnel:	Hourly Rate
Manager	$8.80
Utility Serviceman I	5.15
Utility Serviceman II	4.90
Utility Serviceman III	4.60
Foreman	6.80
Accountant	5.00
Equipment:	
Dump truck	2.50
Van	1.75
Pickup	2.00
Backhoe	8.00
Pipe pusher	2.00
Ditch pump	1.00
Tamper	1.00
Cut-off saw	1 00

SCHEDULE B

FIXED MONTHLY EXPENSE

The initial rate of the fixed monthly expenses referred to in paragraph 9 of this agreement are as follows:

Administration by Water District 81	$150.00
Rental of Water District 81 Administration Bldg.	20.00
Seattle Master Meter Charge	410.00
Leased Telephone Circuits, Telemetry System	93.35
Rental of Water Storage Tank Site	50.50
	$723.85

Notes:

The amount shown for rental of the administration building is an estimated amount to reimburse District 81 for the use of its building in the administration of the project.

The amount shown as rental of the water storage tank site represents one-twelfth of the annual rental provided by the prior agreement of December 1, 1970.

The routine services which will be performed by Water District 81 for the monthly administration charge of $150.00, together with the present estimated time required and the present estimated cost to Water District 81, which figures are shown for illustration only, are as follows:

Period	Operation	Time Required	Estimated Cost
Daily	Administration	1/2 hr.	$ 4.40
	Scan charts, record meter readings, adjust ink flow, monitor demand adjust flow control	1 hr.	6.80
Semi-monthly	Change charts	3/4 hr.	5.10
Monthly	Meter reading	1 hr.	4.60
	Accounting	2 hrs.	10.00
	Billing, posting	1/2 hr.	3.00

SCHEDULE C

OTHER MAINTENANCE EXPENSE

The following items of maintenance will normally be performed annually or at such other period as shall be determined by the Control Board:

Draw down reservoir for inspection and touch up as necessary.

Inspect, test and adjust five pressure regulating valves.

Inspect, test and adjust five air-vac valves.

Inspect, test and adjust two altitude valves.

Inspect, test and adjust one flow control valve.

Test and calibrate five meters.

Test and calibrate telemetry functions.

The following items of maintenance will be performed as needed and as authorized by the Control Board:

Reservoir and vault painting.

Adjustment of valve boxes.

Overhauling meters, pressure regulating valves, altitude valves, flow control valves, air-vac valves and butterfly valves.

Repair of telemetry components.

457-3

FILED NO. 8252
CITY OF BELLEVUE
DATE 5-21-83
CITY CLERK [signature]
O'Connell
Res. No. 4162

AMENDMENT TO JOINT WATER STORAGE AND DISTRIBUTION PROJECT AGREEMENTS

King County Water District No. 81, City of Kirkland and City of Bellevue, all municipal corporations, do hereby agree as follows:

1. Purpose. The City of Kirkland, King County Water District No. 81 and King County Water District No. 99 entered into an agreement for the joint construction of a water reservoir, telemetering system and certain distribution mains, dated December 1, 1970 and entitled "Agreement for Construction of Water Storage and Distribution Project" (herein called the Joint Construction Agreement). The improvements contemplated by the Joint Construction Agreement were completed, and the City of Bellevue succeeded to the interest of King County Water District No. 99. The parties hereto then entered an agreement to provide for the maintenance and operation of the jointly constructed facilities dated June 1, 1973 and entitled "Agreement for Joint Maintenance and Operation of Water Storage and Distribution Project" (herein called the Joint Operating Agreement).

The City of Seattle has announced its intention to reduce the minimum hydraulic gradient in its supply line serving the jointly constructed facilities. This action necessitates the construction of a pumping station and transmission lines so that sufficient water pressure can be generated to regularly refill the jointly constructed water reservoir.

The City of Bellevue does not wish to contribute to the cost of the necessary pumps and other improvements, since it does not regularly

draw down and use water from the water reservoir. Though its predecessor envisioned using the water reservoir in regular customer service, the City of Bellevue has not utilized the jointly constructed storage facilities significantly in its daily distribution of water to customers. However, the City of Bellevue desires to maintain its interest in the jointly constructed facilities and to utilize the water storage facility for emergency or back-up purposes.

The parties, therefore, intend to amend their Joint Construction Agreement and Joint Operating Agreement to excuse the City of Bellevue from participation in the costs of a new pumping station and transmission lines, to modify provisions for use of the water reservoir by the City of Bellevue to conform with present practice and to provide for reasonable service charges for the few customers of the City of Bellevue receiving water through the jointly constructed facilities.

2. Construction of New Pumping Station and Transmission Lines. The City of Kirkland and King County Water District No. 81 may construct and operate a new pumping station and transmission lines to serve the jointly constructed water reservoir. The costs and management of such construction and operation shall be undertaken by the City of Kirkland and King County Water District No. 81 pursuant to such separate agreements as they may reach. The City of Bellevue shall not participate in or contribute to the construction or operation of such projects.

3. Use of Joint Facilities. Paragraph 5 of the Joint Construction Agreement is hereby amended to provide that the City of Bellevue's use of and right to draw water from the jointly constructed water reservoir is limited to emergency or back-up use in the event of the break in a main, major fire or other unusual occurrence, not general to the area served by the parties, subject to the provisions of paragraph, 4 below.

Unless otherwise agreed between them, the City of Kirkland and King County Water District No. 81 shall be entitled to share equally the benefit of the storage facility in their daily operations.

4. Sale of Water to Bellevue. Approximately fifty Bellevue customers receive water through the jointly constructed facilities. The District shall continue to sell the City of Bellevue water to serve these customers and future new hookups in their vicinity. Notwithstanding any provisions in the Joint Construction Agreement or Joint Operation Agreement to the contrary, the City of Bellevue shall henceforth pay the District for water sold to it a sum equal to the District's cost of purchase of the water plus forty-six percent (46%) thereon, plus a pro-rata share (based on the ration of the amount of water sold the City of Bellevue to the total amount of water purchased from the City of Seattle by the District) of the expenses or charges to the District for demand charges, purveyor committee dues or contributions, legal expenses, capital improvements, conservation or emergency surcharges or other assessments by the City of Seattle, which are due from the District under its long term supply contract with the City of Seattle.

5. Future Maintenance and Repair. The parties acknowledge that the water reservoir must be repainted no later than 1985 and that the estimated cost of such work is $250,000. The cost of repainting the water reservoir and other costs of maintenance and repair of the jointly operated water reservoir, telemetery and distribution mains shall be governed by the Joint Operating Agreement and Joint Facilities Agreement and shall be shared by the parties pursuant to the formulas contained therein, which is presently:

City of Kirkland	50%
City of Bellevue	13.4%
Water District No. 81	36.6%

4 57-6

6. Effect. Except as expressly modified by this writing or by other written agreements between or among the parties, the Joint Operating Agreement and Joint Construction Agreement shall remain in full force and effect.

DATED: 4/1/83

CITY OF KIRKLAND

BY: _____
City Manager

BY: _____
Clerk

KING COUNTY WATER DISTRICT NO. 81

BY: _____
President, Board of Commissioners

BY: _____
Secretary, Board of Commissioners

CITY OF BELLEVUE

BY: _____
City Manager

BY: _____
Clerk

APPROVED AS TO FORM:

_____
Assistant City Attorney

City of Medina

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Franchise File
Gene

Wes

FRANCHISE AGREEMENT

WHEREAS, the City of Medina and the City of Bellevue desire to enter into a franchise agreement to allow the City of Bellevue to continue to use the public rights-of-way in the City of Medina for the purpose of operating the City of Bellevue's water distribution and wastewater utilities within the City of Medina; now therefore,

The City of Medina and the City of Bellevue agree as follows:

Section 1. Grant of Franchise. The City of Medina hereby grants to the City of Bellevue, Washington the right, privilege, authority and non-exclusive franchise to continue to enter upon, use and occupy the public rights-of-way and utility easements of the City of Medina, Washington, for constructing, maintaining, repairing, renewing and operating water distribution and wastewater collection systems and accessories, in, upon, under, across and through said public rights-of-way and utility easements within the City of Medina.

Section 2. Franchise Fee. The City of Bellevue agrees to pay the City of Medina a quarterly franchise fee in the amount of 3.5% of the quarterly gross revenues of the City of Bellevue's water and sanitary sewer utilities derived from the operations of said utilities within the City of Medina. The franchise fee provided herein shall be in lieu of any other tax, fee or charge, direct or indirect, imposed by the City of Medina on the operations of the City of Bellevue's utilities within the City of Medina. The City of Bellevue is authorized to withhold an amount not to exceed $100 from any quarterly payment to recover its costs of processing such payment.

Section 3. Adjustment to Rate of Franchise Fee. The franchise fee rate set forth in Section 2 above may be modified at any time by the City of Medina. The City of Medina shall provide the City of Bellevue with written notice of any modification of such rate no later than forty-five (45) days prior to the effective date of such modification.

Section 4. Term and Effective Date. This agreement shall take effect upon execution by both parties and shall remain in effect for a period of ten years (10) years from the effective date. Upon the expiration of the ten year term, this agreement shall be automatically extended on a year to year basis unless either party gives the other party written notice of its intent to terminate this

agreement at least sixty (60) days prior to the next succeeding automatic renewal date. The parties may mutually agree to terminate or amend this agreement at any time.

City of Medina

By: Joyce E. Papke
Its: City Manager
Date: November 15, 1994

City of Bellevue

By: Phillip Kushnan
Its: City Manager
Date:

Approved as to form:

City Attorney

Approved as to form:

City Attorney

City of Redmond

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ORIGINAL

1354-RES
5/27/2005

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 7197

A RESOLUTION authorizing and directing the City Manager to execute the Agreement for Water Distribution Between the City of Bellevue and the City of Redmond, effective January 1, 2004.

WHEREAS, the City of Bellevue and the City of Redmond entered into a water distribution agreement in 1972, as amended in 1998, that established terms for water service and jointly owned and used facilities; and

WHEREAS, under the 1998 agreement, Redmond paid Bellevue for water purchases that Bellevue made from Seattle for Redmond's service area; and

WHEREAS, the Cascade Water Alliance (Cascade) was formed in April 1999 pursuant to an Interlocal Contract for the purpose of providing water supply to meet the growing demands of its members, including Bellevue and Redmond; and

WHEREAS, the Agreement for Water Distribution recognizes that Bellevue and Redmond now pay Cascade Water Alliance directly for water supply; now therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized and directed to execute the amended Agreement for Water Distribution Between the City of Bellevue and the City of Redmond, effective January 1, 2004, a copy of which Agreement has been given Clerk's Receiving No. 37669.

Passed by the City Council this 6th day of June, 2005, and signed in authentication of its passage this 6th day of June, 2005.

(SEAL)

Connie B. Marshall
Connie B. Marshall, Mayor

Attest:

Myrna L. Basich
Myrna L. Basich, City Clerk

CR# 37669 DATE 6-8-05 LOC 05-487
Res 7197

AGREEMENT FOR WATER DISTRIBUTION BETWEEN THE CITY OF BELLEVUE AND THE CITY OF REDMOND

This Interlocal Agreement is made and entered into by and between the City of Bellevue, hereinafter referred to as "Bellevue", a municipal corporation of the State of Washington, and the City of Redmond, hereinafter referred to as "Redmond", a municipal corporation of the State of Washington.

WHEREAS, there currently exists an Interlocal Agreement dated November 6, 1998, between Bellevue and Redmond, providing for the operation of a water supply and distribution system within the service areas specified in said agreement; and

WHEREAS, Bellevue and Redmond are members of Cascade Water Alliance (Cascade) which is now the wholesale water supplier for the cities; and

WHEREAS, it is necessary and desirable to enter into a new Interlocal Agreement between Bellevue and Redmond which updates the respective duties and responsibilities of said cities with respect to distribution of water supplied by Cascade within the respective service areas of said cities; and

WHEREAS, it is in the interests of the public served by both Bellevue and Redmond to enter into a new Interlocal Agreement;

NOW, THEREFORE, it is covenanted and agreed as follows:

1. **Purpose**. The purpose of this Interlocal Agreement is to provide for the respective responsibilities and obligations of Bellevue and Redmond to provide for the operation and maintenance of water supply facilities within the common service area set forth in the Agreement.
2. **Joint-use/Ownership Distribution Mains**. The existing watermains listed below are to be classified as joint-use/ownership. Each city shall have a 50 percent (50%) ownership of these joint-use/ownership mains. The city identified as having responsibilities for each

watermain is responsible for all maintenance and operation of the watermain, including mainline valves, hydrants and hydrant piping. Each city is responsible for maintenance and repair of its own individual service lines (including saddles, corporation stops and any valves) and any mainline connection to a joint-use/ownership main. The cost of replacement of a joint-use/ownership main shall be shared equally between each city. The city identified as having responsibility for each joint-use/ownership main shall have the authority to determine when the joint-use/ownership main needs to be replaced. Each city shall provide at least two years notice of any scheduled replacement to the other city so budget impacts can be planned for.

Joint-Use/Ownership Distribution Mains:

A. Existing watermain on 148th Avenue NE between NE 20 Street and NE 51st Street - City of Bellevue's responsibility.

B. Existing watermain on NE 20th Street and Bellevue-Redmond Road from 148th Avenue NE to 156th Avenue NE – City of Redmond's responsibility.

C. Existing watermain on 156th Avenue NE from Bellevue-Redmond Road to NE 28th Street – City of Redmond's responsibility.

Joint-Use/Ownership Transmission Mains:

The existing watermains listed below were constructed pursuant to an "Agreement for Construction, Operation and Maintenance of Joint-Use Storage and Pumping Facility" dated September 28, 1990. The ownership in these mains is 56% Bellevue and 44% Redmond according to the terms of that Agreement.

- Existing transmission main on NE 40th Street between the Seattle meter at 140th Avenue NE and the joint-use pump station and reservoir.

This section is not intended to amend the terms of said Agreement but to document the water mains constructed under the terms of said Agreement.

3. **Service Area**. Redmond and Bellevue have established their common service area boundary to be as shown on Exhibit 1. Each city shall be the direct provider of water service within its service area boundary except for those properties shown on Exhibit 1 or defined by subsequent amendment to this Agreement.

Unless otherwise agreed, ownership and water service responsibilities for any non-joint-use watermains, services and customers are placed with the city in which they exist.

Within the Redmond service area there are herby established "direct read meter areas" and a "master meter area". The boundaries for direct read meter areas are shown on Exhibit 1. Remaining areas within Redmond with water delivered under this Agreement are in the master meter area.

Within the Bellevue service area there is hereby established a "direct read meter area" as shown on Exhibit 1 for water delivered by Redmond.

4. **Metering**

A. Master Meter Areas

1) Redmond. Redmond shall operate and maintain three master meters to measure the quantity of water entering the Redmond master meter area. The location of the meters are as follows:

a. NE 40th Street between SR 520 and 156th Avenue NE.

b. 156th Avenue NE between NE 31st Street and NE 36th Street.

c. NE 24th Street between 171st Avenue NE and 173rd Avenue NE.

The meters shall be maintained to provide 98 percent (98%) accuracy for a flow range between 50 gpm and 1,000 gpm.

2) Bellevue. Bellevue shall operate and maintain one master meter to measure the quantity of water leaving the Redmond master meter area. The location of the meter is as follows:

a. Bellevue-Redmond Road between NE 32nd Street and NE 35th Street. The meter shall be maintained to provide 98 percent (98%) accuracy for a flow range between 50 gpm and 1,000 gpm.

3) Ownership/Maintenance. Each city shall own its respective master meters and shall provide routine operation and maintenance.

B. Direct Read Meter Areas.

1) Redmond. The City of Redmond shall construct, operate, and maintain individual service meters to all water users to measure the quantity of flow consumed in the Redmond direct read meter area. These meters shall be the standard distribution meters used by the City of Redmond.

2) Bellevue. The City of Bellevue shall construct, operate, and maintain individual service meters to all water users to measure the quantity of flow consumed in the Bellevue direct read meter area. These meters shall be the standard distribution meters used by the City of Bellevue.

3) Ownership/Maintenance. Each city shall own all individual service meters in its service area and shall provide routine operation and maintenance.

C. Calibration and Replacement of Meters. All meters two (2) inches and smaller shall be replaced after 20 years of service from the time of installation. All meters three (3) inches and larger shall be calibrated at regular intervals to provide for proper measurement of water usage. Meters shall be calibrated according to the following schedule:

1) Master Meters: The first quarter of every odd numbered year.

2) All meters three (3) inches and larger: Every five (5) years.

The cost of meter calibration or replacement shall be paid by the owner of the meter. Any meter with accuracy limits which do not meet or exceed those listed in the latest edition of the AWWA Manual M6 under "Accuracy Limits for Removal from Service" shall be replaced by the owner of the meter. Each city shall provide a calibration and replacement report to the other city on an annual basis.

5. **Interconnection or Extensions with Other Parts of Redmond Water Systems**. Redmond agrees not to interconnect the water system within the direct read meter areas to other parts of its water system or customers outside the direct read meter areas without the written (or oral, in case of emergency) approval of Bellevue.

6. **Distribution of Water**. Any restriction of the distribution of water to Redmond shall be on an equitable basis in relation to the service provided to Bellevue customers in the general vicinity.

7. **Water Consumption Reporting**.

A. Determining consumption. Redmond shall read the individual service meters in the Redmond direct read meter areas. All meters shall be read monthly or bi-monthly. The Redmond direct read meter area consumption shall be determined by summing the consumption of all individual service meters then multiplying the total by 1.11. (The factor is to provide for unaccounted system losses of 10% of the total direct meter area usage.)

Redmond shall read the Redmond master meters monthly and the Bellevue master meter monthly. The total master meter consumption shall be determined by summing the totalized flow of the three Redmond master meters and subtracting the totalized flow of the Bellevue master meter.

Bellevue shall read the individual service meters in the Bellevue direct read meter areas. All meters shall be read monthly or bi-monthly. The Bellevue direct read meter area consumption shall be determined by summing the consumption of all individual service meters then multiplying the total by 1.11. (The factor is to provide for unaccounted system losses of 10% of the total direct meter area usage.)

B. Reporting Consumption. Each city shall report to the other city and to Cascade the total individual service meter consumption and the calculated direct read meter area

consumption. Redmond shall report to Bellevue and Cascade the master meter totalized flow. Each city shall report consumption data to the other city on a quarterly basis. Each city may request a report of the other city listing all meters within the direct meter area. This report shall be provided to the other city for its use in verifying that all direct read metered consumption is being reported.

8. **Old Water Allowance**. To the extent there is any current or future benefit from "old water" provisions of prior Seattle Water Purveyor Contracts the following "old water" allowances are hereby allocated from Bellevue's water usage to Redmond (hundreds of cubic feet):

	Month	Cumulative
January	17,656	17,656
February	17,235	34,891
March	14,686	49,577
April	18,425	68,002
May	16,794	84,796
June	23,462	108,258
July	22,386	130,644
August	29,010	159,654
September	29,897	189,551
October	27,946	217,497
November	23,128	240,625
December	20,667	261,292
	261,292	

9. **Responsibility for Damages, Repair and Replacement**. Redmond and Bellevue shall each be separately responsible for maintenance, repair and replacement of those facilities which are solely owned by such city. In the event of damages, repair, replacement, and maintenance of joint-use watermains where each city has a 50 percent (50%) ownership of such main pursuant to Section 2 of this Agreement, the cities shall each contribute to the cost of such repair, replacement, or maintenance on a 50/50 percent basis. To the extent that any joint ownership main is damaged in whole or part by the negligent activities of one of the cities, the city so causing such damage shall, in addition to its obligation to pay 50 percent (50%) of the cost of repair, replacement, or maintenance pursuant to the preceding

paragraph, also pay the same percentage of the remaining expense as its degree of negligence bears to 100 percent (100%).

10. **Liability/Hold Harmless**. Bellevue shall indemnify, defend, and hold harmless Redmond, it officers, agents, and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission, or failure of Bellevue, its officers, agents, and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Redmond, its officers, agents, and employees, Bellevue expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. This paragraph shall not apply to any damage resulting from the negligence of Redmond, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Redmond, its agents, or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Bellevue, its officers, agents, and employees.

Redmond shall indemnify, defend and hold harmless Bellevue, its officers, agents, and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission, or failure of Redmond, its officers, agents and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Bellevue, its officers, agents, and employees, Redmond expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Redmond. This paragraph shall not apply to any damage resulting from the negligence of Bellevue, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of

Bellevue, its agents, or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Redmond, its officers, agents, and employees.

11. **Dispute Resolution**. Each city shall designate representatives for the purposes of administering this Agreement and resolving disputes arising from this Agreement. Each city shall notify the other in writing of its designated representatives. Each city may change its designated representatives on notice to the other.

    Disputes that cannot be resolved by the representatives designated herein shall be referred to the chief executive officer of each city for mediation and/or settlement. If not resolved by them within sixty (60) days, either city, or both of them, may file a demand for arbitration, in which event the issues shall be submitted to an arbitrator acceptable to both parties and the matter shall be arbitrated pursuant to the rules and procedures of the American Arbitration Association. The decision of the arbitrator shall be final and binding on both cities.

12. **Modification of Agreement**. This Agreement may only be modified in writing signed by both cities.

13. **Severability**. If any provision of this Interlocal Agreement shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which could be given effect without the invalid provision, and to this end the provisions of this Agreement are declared to be severable.

14. **Effective Date**. This agreement shall take effect on January 1, 2004.

15. **Repeal**. Upon the effective date of this agreement, the previous Interlocal Agreement dated November 6, 1998 between Bellevue and Redmond is no longer in effect.

HEREBY AGREED TO AND ACCEPTED on this the 8 day of June, 2005.

CITY OF BELLEVUE

By: _____
for Steve Sarkozy, City Manager

Approved as to form:

By: Patrice Cole
Assistant City Attorney

CITY OF REDMOND

By: _____
Rosemarie Ives, Mayor

Approved as to form:

By: _____
City Attorney

JUN - 8 2005
Contracting Services

ORIGINAL

FILED NO. 26379
CITY OF BELLEVUE
DATE 4/6/98
CITY CLERK'S OFFICE

AGREEMENT FOR WHOLESALE WATER SUPPLY BETWEEN THE CITY OF BELLEVUE AND THE CITY OF REDMOND

This Interlocal Agreement is made and entered into by and between the City of Bellevue, hereinafter referred to as "Bellevue", a municipal corporation of the State of Washington, and the City of Redmond, hereinafter referred to as "Redmond", a municipal corporation of the State of Washington.

WHEREAS, there currently exists an Interlocal Agreement dated July 19, 1990, between Bellevue and Redmond, providing for the operation of a water supply and distribution system within the service areas specified in said agreement; and

WHEREAS, it is necessary and desirable to enter into a new Interlocal Agreement between Bellevue and Redmond which updates the respective duties and responsibilities of said cities with respect to distribution of water supply within the respective service areas of said cities; and

WHEREAS, it is in the interests of the public served by both Bellevue and Redmond to enter into a new Interlocal Agreement;

NOW, THEREFORE, it is convenanted and agreed as follows:

1. Purpose. The purpose of this Interlocal Agreement is to provide for the respective responsibilities and obligations of Bellevue and Redmond to provide for the construction, operation, and maintenance of water supply facilities within the common service area set forth in this Agreement.

2. Joint-use/Ownership Watermains. The existing watermains listed below are to be classified as joint-use/ownership. Each city shall have a 50 percent (50%) ownership of the joint-use/ownership mains. The city identified as having responsibility for each watermain is responsible for all maintenance and operation of the watermain, including mainline valves, hydrants and hydrant piping. Each city is responsible for maintenance and repair of its own individual service lines (including saddles, corporation stops and any valves) and any mainline connection to a joint-use/ownership main. The cost of replacement of a joint-use/ownership main shall be shared equally between each city. The city identified as having responsibility for each joint-use/ownership main shall have the authority to determine when the joint-use/ownership main needs to be replaced. Each city shall provide at least two years notice of any scheduled replacement to the other city so budget impacts can be allotted for.

Joint-Use/Ownership Watermains:

A. Existing watermain on 148th Avenue between NE 20 Street and NE 51st Street - City of Bellevue's responsibility.

B. Existing watermain on NE 20th Street and Bellevue-Redmond Road from 148th Avenue NE to 156th Avenue NE - City of Redmond's responsibility.

C. Existing watermain on 156th Avenue NE from Bellevue-Redmond Road to NE 28th Street - City of Redmond's responsibility.

3. Service Area. Redmond and Bellevue have established their common service area boundary to be as shown on Exhibit 1. Each city shall be the direct provider of water service within its service area boundary except for those properties shown on Exhibit 1 or defined by subsequent amendment to this Agreement.

Unless otherwise agreed, ownership and water service responsibilities for any non-joint-use watermains, services and customers are placed with the city in which they exist.

Within the Redmond service area there are hereby established "direct read meter areas" and a "master meter area". The boundaries for direct read meter areas are shown on Exhibit 1. Remaining areas within Redmond and supplied by Bellevue are in the master meter area.

Within the Bellevue service area there is hereby established a "direct read meter area" as shown on Exhibit 1 for water supplied by Redmond.

4. Metering

A. Master Meter Areas

1) Redmond. Redmond shall construct, operate, and maintain three master meters to measure the quantity of water entering the Redmond master meter area. The location of the meters shall be as follows:

a. NE 40th Street between SR 520 and 156th Avenue.

b. 156th Avenue NE between NE 31st Street and NE 36th Street.

c. NE 24th Street between 171st Avenue and 173rd Avenue.

The meters shall be designed to provide 98 percent (98%) accuracy for a flow range between 50 gpm and 1,000 gpm.

2) Bellevue. Bellevue shall construct, operate, and maintain one master meter to measure the quantity of water leaving the Redmond master meter area. The location of the meter shall be as follows:

a. Bellevue-Redmond Road between NE 32nd Street and NE 35th Street.

The meter shall be designed to provide 98 percent (98%) accuracy for a flow range between 50 gpm and 1,000 gpm.

3) Ownership/Maintenance. Each city shall own its respective master meters and shall provide routine operation and maintenance.

B. Direct Read Meter Areas.

1) Redmond. The City of Redmond shall construct, operate, and maintain individual service meters to all water users to measure the quantity of flow consumed in the Redmond direct read meter area. These meters shall be the standard distribution meters used by the City of Redmond.

2) Bellevue. The City of Bellevue shall construct, operate, and maintain individual service meters to all water users to measure the quantity of flow consumed in the Bellevue direct read meter area. These meters shall be the standard distribution meters used by the City of Bellevue.

3) Ownership/Maintenance. Each city shall own all individual service meters in its service area and shall provide routine operation and maintenance.

C. Calibration of Meters. All meters shall be calibrated at regular intervals to provide for proper measurement of water usage. Meters shall be calibrated according to the following schedule:

1) Master Meters	January of even numbered years
2) Individual service meters in direct read areas:	
a. over 2 inches	Every 5 years
b. 2 inches and smaller	Every 10 years

The cost of meter calibration shall be paid by the owner of the meter. Any meter with accuracy limits which do not meet or exceed those listed in the latest edition of the AWWA Manual M6 under "Accuracy Limits for Removal from Service" shall be replaced by the owner of the meter.

5. Flushing Allowance. An allowance for actual water used for watermain and tank flushing as stipulated in the water purveyor contract, dated November 1981, between Bellevue and Seattle will be credited to Redmond; provided, however, that Redmond shall furnish Bellevue a certified statement of actual flushing water used by measurement, or calculated by formula acceptable to Bellevue.

6. Interconnection or Extensions with Other Parts of Redmond Water Systems. Redmond agrees not to interconnect the water system within the direct read meter areas, to other parts of its water system or customers outside the direct read meter areas without the written (or oral, in case of emergency) approval of Bellevue.

7. Supply of Water. Any restriction of the supply of water to Redmond shall be on an equitable basis in relation to the service provided to other customers of the water system in the general vicinity.

If noncompatible water sources are used in the future, the city desiring to make the change shall negotiate such change with the other city. To change may result in cross ties being installed at the changing city's expense.

8. Cost of Water. Water Purveyor Rate. It is agreed that the Water Purveyor's rate to be charged to Redmond shall be the rate charged by the City of Seattle. The City of Seattle rate shall be computed to include: Old and new water costs, any demand charges that are related to or caused by Redmond, seasonal charges, conservation charges or any other charge applied by the City of Seattle.

In addition to the water rate charge, Redmond shall pay a fixed monthly charge of $2,800 per month in 1998 dollars to recover administrative overhead costs by Bellevue plus $165 fixed monthly meter charges from Seattle. The fixed monthly charge is based on a report entitled *Redmond Wholesale Water Overhead Charge Calculation* dated 5 June 1998 by Financial Consulting Solutions Group, Inc. (FCSG). The meter charges are based on 44% of the Seattle meter charges to Bellevue for the NE 40th inlet meter.

Bellevue may adjust the fixed monthly charges to account for the increased meter charges by Seattle, inflation, and increased administrative costs. Adjustments shall be based on the same approach used in the analysis completed by FCSG.

9. Billing.

A. Determining Usage. Redmond shall read the individual service meters in the Redmond direct read meter area. All meters shall be read monthly or bi-monthly. The Redmond direct read meter area usage shall be determined by summing the usage of all individual service meters then multiplying the total by 1.111. (The factor is to provide for unaccounted system losses of 10.0 % of the total direct meter area usage.)

Redmond shall read the Redmond master meters monthly and the Bellevue master meter monthly. The total master meter usage shall be determined by summing the usage of the three Redmond master meters and subtracting the usage of the Bellevue master meter.

Bellevue shall read the individual service meters in the Bellevue direct read meter area. All meters shall be read monthly or bi-monthly. The Bellevue direct read meter area usage shall be determined by summing the usage of all individual service meters then multiplying the total by 1.111. (The factor is to provide for unaccounted system losses 10.0% of the total direct meter area usage.)

B. Reporting Usage. Each city shall report to the other city within 30 days of meter reading the total individual service meter usage and the calculated direct read meter area usage from this report shall include a list of all individual meters and accounts and usages in January of each year. Each city shall

prepare a report, listing all meters within the direct meter area which shall highlight any meters added or deleted within the previous calendar year. This report shall be provided to the other city for its use in verifying that all metered usage is being reported. This report shall also identify which meters were calibrated within the calendar year. Redmond shall report to Bellevue within 30 days of reading the master meter usage.

C. Payment. Redmond shall submit a monthly payment to Bellevue based on water volume read for the specific billing period. The Bellevue direct read meter area usage shall be shown and deducted from the Redmond direct read meter area usage to determine the Redmond payment amount. Submitted with the payment shall be a report listing the water usage of all the individual and master meters for the specific billing.

10. Old Water Allowance. The following is Redmond's old water consumption allowances, based on water usage from January, 1979 through December, 1981. Any consumption in excess of the allowance shall be classified as new consumption and charged under Seattle's Growth Charge rate:

	Month	Cumulative
January	17,656	17,656
February	17,235	34,891
March	14,686	49,577
April	18,425	68,002
May	16,794	84,796
June	23,462	108,258
July	22,386	130,644
August	29,010	159,654
September	29,897	189,551
October	27,946	217,497
November	23,128	240,625
December	20,667	261,292
Yearly Total	261,292	

11. Responsibility for Damages, Repair and Replacement. Redmond and Bellevue shall each be separately responsible for maintenance, repair and replacement of those facilities which are solely owned by such city. In the event of damages, repair, replacement, and maintenance of joint-use watermains where each city has a 50 percent (50%) ownership of such main pursuant to Section 2 of this Agreement, the cities shall each contribute to the cost of such repair, replacement, or maintenance on a 50/50 percent basis.

To the extent that any joint ownership main is damaged in whole or part by the negligent activities of one of the cities, the city so causing such damage shall, in addition to its obligation to pay 50 percent of the cost of repair, replacement, or maintenance pursuant to the preceding paragraph, also pay the same percentage of the remaining expense as its degree of negligence bears to 100 percent.

12. Liability/Hold Harmless. Bellevue shall indemnify, defend, and hold harmless Redmond, its officers, agents, and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission, or failure of Bellevue, its officers, agents, and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Redmond, its officers, agents, and employees, Bellevue expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. This paragraph shall not apply to any damage resulting from the negligence of Redmond, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Redmond, its agents, or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Bellevue, its officers, agents, and employees.

Redmond shall indemnify, defend and hold harmless Bellevue, its officers, agents, and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission, or failure of Redmond, its officers, agents, and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Bellevue, its officers, agents, and employees, Redmond expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Redmond. This paragraph shall not apply to any damage resulting from the negligence of Bellevue, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Bellevue, its agents, or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Redmond, its officers, agents, and employees.

13. Dispute Resolution. Each city shall designate representatives for the purposes of administering this Agreement and resolving disputes arising from this Agreement. Each city shall notify the other in writing of its designated representatives. Each city may change its designated representatives on notice to the other.

Disputes that cannot be resolved by the representatives designated herein shall be referred to the chief executive officer of each city for mediation and/or settlement. If not resolved by them within sixty (60) days, either city, or both of them, may file a demand for arbitration, in which event the issues shall be submitted to an arbitrator acceptable to both parties and the matter shall be arbitrated pursuant to the rules and procedures of the American Arbitration Association. The decision of the arbitrator shall be final and binding on both cities.

14. Modification of Agreement. This Agreement may only be modified in writing signed by both cities.

15. Severability. If any provision of this Interlocal Agreement shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which could be given effect without the invalid provision, and to this end the provisions of this Agreement are declared to be severable.

16. Effective Date. This agreement shall take effect on January 1, 1999.

17. Repeal. Upon the effective date of this agreement, the previous Interlocal Agreement dated July 19, 1990 between Bellevue and Redmond is no longer in effect.

HEREBY AGREED TO AND ACCEPTED on this the 6th day of Nov, 1998.

CITY OF BELLEVUE

By: Linda M. Barton
Steve Bauer, City Manager

Approved as to form:

By: [signature]
Assistant City Attorney

CITY OF REDMOND

By: Rosemarie Ives
Rosemarie Ives, Mayor

Approved as to form:

By: [signature]
City Attorney

EXHIBIT 1
SERVICE AREA BOUNDARY AND DIRECT READ METER AREAS

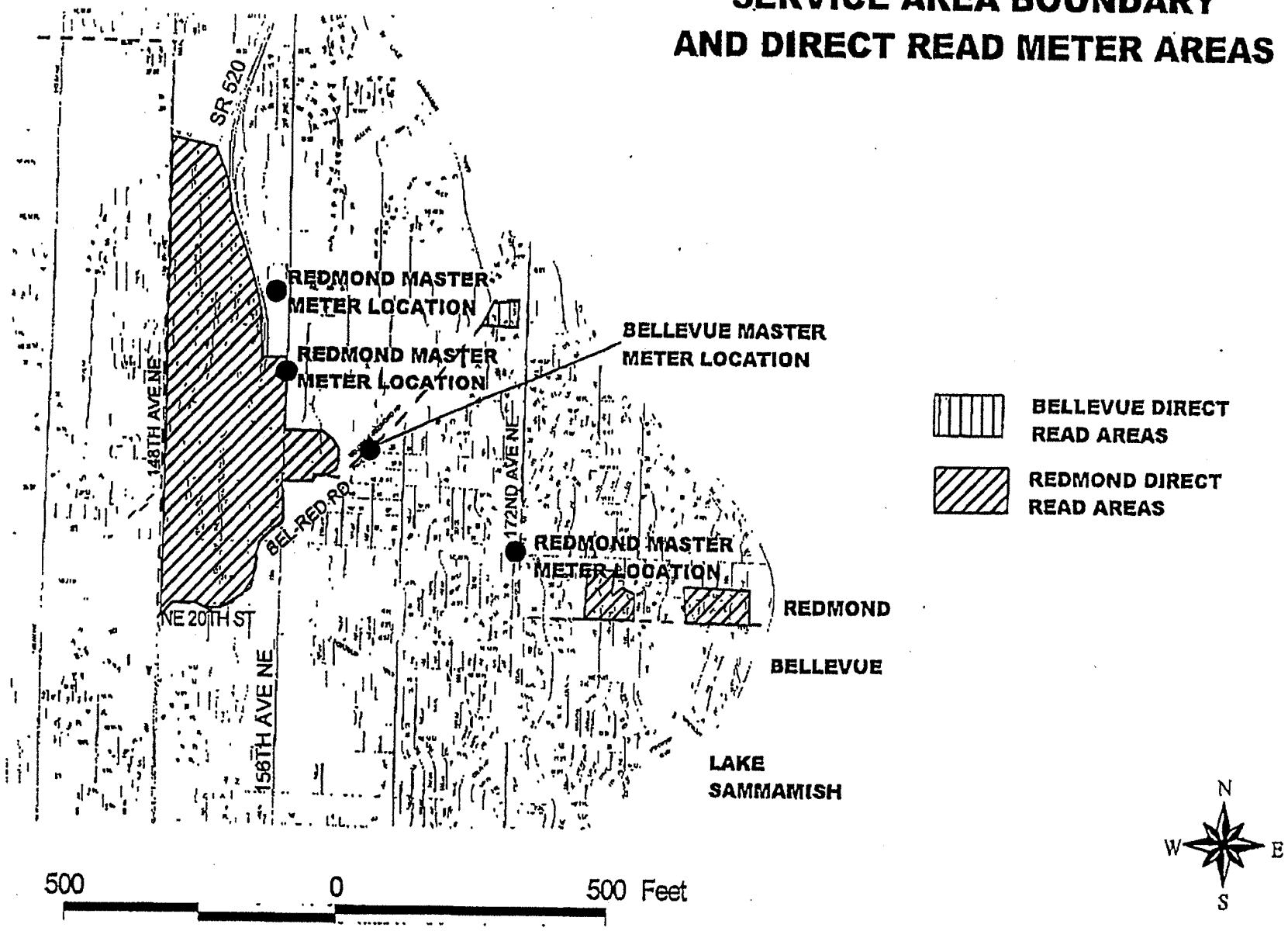

EXHIBIT 2

5 June 1998

To: Barbara Shosten, Bellevue Utilities Department

From: Tracey Dunlap, Senior Project Manager TKD
Manuel Teodoro, Financial Consultant MT

Re: Redmond Wholesale Water Overhead Charge Calculation

FCS Group, Inc. is pleased to submit this updated calculation of the Redmond wholesale water overhead charge. In 1988, FCS Group performed the analysis that established the $0.042 per hundred cubic feet (ccf) charge that Redmond currently pays Bellevue to cover the overhead costs related to wholesale supply. Ten years later, this update employs a similar but more streamlined analysis to establish an overhead charge that more accurately reflects today's overhead costs. Rather than calculating a Redmond overhead charge independently, we sought to integrate the Redmond overhead calculation with the City's revised Water Rate Model. This memorandum relates our recommendations, briefly describes our methodology, and outlines instructions for updating the analysis for setting future charges.

Recommendations

Based on the analysis embedded in the revised Water Rate Model, we recommend that Bellevue levy a fixed monthly overhead charge to Redmond for provision of supply. Bellevue should continue to pass on to the City of Redmond all direct supply costs (i.e., Bellevue's cost of purchased water) associated with Redmond. Based on the 1998 budget data currently entered in the Water Rate Model, our calculations derive a 1998 fixed monthly charge of approximately $2,800 for Redmond (about $33,600 annually). For purposes of comparison, our recommended monthly overhead charge equals approximately $0.068 per ccf, based on Redmond's 1997 total volume usage. Of course, as an integrated part of the Water Rate Model, future Redmond charges may change as part of Bellevue's routine rate-setting process. Moreover, the exact charge depends upon whether Bellevue chooses to join the Cascade Water Alliance (CWA) or retains Seattle as its source of purchased water.

A fixed overhead charge enjoys three advantages over the existing volume charge: (1) a fixed overhead charge would remain valid whether or not Bellevue chooses to join the CWA; (2) a fixed charge recognizes the fact that virtually all of the overhead costs associated with Redmond supply do not vary with volume flow in any given year; and (3) a fixed charge is a more stable source of revenue for Bellevue (and a stable cost for Redmond).

FINANCIAL CONSULTING SOLUTIONS GROUP, INC.
[redacted] 154th AVE NE ■ REDMOND, WA 98052 ■ VOICE: 425-867-1802 ■ FAX: 425-867-1937 ■ www.fcsgroup.com

Methodology

Overhead Costs. The Redmond overhead charge is based on an allocation of Bellevue's indirect overhead costs associated with supply of water to Redmond. The analysis begins by identifying Bellevue's budgeted indirect overhead costs for water, found in accounts 4440-013 (Water General Administration) and 4440-014 (Water Engineering Administration).[1] The attached *REDMOND* spreadsheets reflect the budget subtotals by expense category for these functions. Subtotals within these accounts are adjusted down by deducting those line items not associated with wholesale supply to Redmond. The table below identifies the line items excluded:

Budget Items Excluded from Redmond Wholesale Overhead Base

Budget Code	Item	Remarks
4440-013 Water General Administration		
442	Legal Notices	Legal notices not relevant to Redmond service.
471-475	[*Various Utilities*]	Utilities for rental building: not allocable to Redmond.
481	Street Light Maintenance.	No street lighting provided to Redmond.
498	Tax/Service Rebate	Benefits apply to Bellevue retail customers only.
530	Taxes & Assessments	City of Bellevue tax costs not allocable to Redmond.
531	Franchise Fees	Franchise fees not allocable to Redmond.
920-922	Direct Overhead -Mail Costs.	Mailings are not associated with Redmond service.
924	Direct Overhead -Graphics	Graphics serve no Redmond function.
925	Direct Overhead -Word Processing	Word processing serves no Redmond function.
926	Direct Overhead -Copy Center	Copy center does not serve Redmond function.
924	Direct Overhead -Long Distance	Redmond requires negligible long distance costs.
928	Direct Overhead - Special Lines	Special lines serve telemetry systems for Bellevue retail customers.
929	Direct Overhead - PC Installation	Redmond service does not require new computers.
932	Direct Overhead - Property Services	Property services are not associated with Redmond service.
941	EERF Maintenance	EERF are radio system costs associated with retail service.
950	Interfund Facility Services	Landscaping costs for pumping facilities. Not associated with Redmond service
4440-014 Water Engineering Administration		
442	Legal Notices	Legal notices not relevant to Redmond.

[1] The other administrative account, 4440-017 Services and Systems, which includes utility billing, is excluded since Redmond generates its own retail payment invoices.

Allocation. All remaining costs within these accounts are apportioned to Redmond according to a calculated allocation factor, seen in the upper-right corner of the attached *REDMOND* spreadsheet. In the original 1988 Redmond rate analysis, FCS Group allocated the majority of costs to Redmond according to its proportion of total utility revenues.. Although that approach provides a reasonable allocation basis, it is somewhat circular in logic, since the revenue derived from Redmond was set as a function of the revenue it was expected to generate.

In this update, FCS Group uses a more refined logic that avoids circularity. Since Bellevue provides only wholesale supply services to Redmond, the overhead allocation factor calculation determines the cost of purchased water (from Seattle or CWA) as a proportion of total utility costs. Under a CWA scenario, Bellevue's costs for RCFCs are deducted from purchased water amount allocable to Redmond, because RCFCs are levied against Bellevue only for customer growth within Bellevue. Thus, Bellevue's RCFC costs have no impact on Redmond's allocation. Following this methodology, the calculated ratio of purchased water costs to total utility costs for 1998 was about 35.0%. The remaining 65.0% of costs are not associated with supply and therefore are not allocable to Redmond. Next, we calculated Redmond's billable volume consumption of purchased water as a proportion of Bellevue's total purchased water (from Seattle or CWA).[2] For 1998, the calculated ratio of Redmond purchased water to total purchased water was about 6.5%. Thus, purchased water comprises only 35.0% of Bellevue's total costs and Redmond accounts for just 6.5% of that total water purchased. The product of these two ratios—calculated at 2.265% with CWA and 2.259% with Seattle for 1998—is a reasonable basis for allocation of Bellevue's overhead costs to Redmond. These results are roughly comparable to the 2.17% allocation factor developed using the revenue ratio method in 1988.

Overhead Costs Allocated to Redmond. Multiplying the adjusted budgeted overhead costs by the allocation function described above produces the Redmond overhead cost for each budget sub-category. The total of these products equals Redmond's annual overhead rate revenue requirement. As noted above, the Water Rate Model allows calculation of the Redmond overhead charge under either Seattle or CWA supply scenarios. However, the CWA will not begin supplying water until the year 2000. Therefore, for the years 1998 and 1999, the CWA purchased water costs are equal to Seattle purchased water costs plus some minor CWA administrative charges. 2000 is the first full CWA billing year.

The calculated Redmond portion of overhead costs for 1998 was approximately $33,600, or about $2,800 monthly. When this overhead charge is structured as a fixed monthly charge, Redmond's monthly bill is simply its share of total purchased water costs (a function of volume if from Seattle, a function of peak demand if from CWA), plus the monthly overhead markup. If water is purchased from Seattle, a portion of the fixed meter charge for the N.E. 40th meter also applies. For 1998, the average total monthly cost to Redmond would be $44,018 assuming a CWA supply, and $43,630 assuming a Seattle supply.

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[2] Billable consumption is actual metered consumption plus an adjustment for line loss. In 1998, the adjustment was +12.5% of total metered volume.

Updating the Redmond Charge

The calculation of the Redmond overhead charge is set up as a discrete portion of Bellevue's revised Water Rate Model, located on a new worksheet entitled *REDMOND*. Revising the overhead charge calculation is very simple. The main portion of the model drives the allocation factor in the upper-right corner, and the allocation process is fully structured within the *REDMOND* page. The only hard-keyed inputs necessary to update the overhead charge are budget data. In order to revise the charge, the operator needs only a copy of the published water utility budget for the "target year."[3] The budgeted amounts for the deducted line items noted in the table above should be entered in the "Utility Revenue Requirement" column as appropriate. After the budget data are completed, the operator should enter the total annual meter charge paid to Seattle for the N.E. 40th meter at the bottom of the *REDMOND* page. When this input is complete, the computer will automatically calculate a new Redmond fixed overhead charge and integrate the new charge into the main portion of the model.

Thank you for the opportunity to assist the City with this update. Please contact us with any questions at (425) 867-1802.

[3] The target year is always two years beyond the most recent update input year in the main model, found on the *SUMMARY* page. For this study, the last update input year was 1996, so the target year was 1998.

City of Bellevue
Water Rate Model
Calculation of Redmond Overhead Mark-Up

REDMOND Page 1
Last Edit: 05-Jun-98

Assumed Wholesale Supplier: Seattle Public Utilities

Calculation of Redmond Allocation Factor:	
Total Utility Cost:	$15,078,718
Purchased Water Cost:	5,271,723
Less: RCFC Cost (if CWA Supply)	0
Purchased Water Cost less RCFCs	5,271,723
Purchased Water as % of Total Cost:	34.961%
Redmond Volume:	496,890
Total Volume:	7,691,473
Redmond Vol. as % of Total Vol.:	6.460%
(% Purchased Water Cost) x (% Redmond Volume) =	2.259%

Allocation of Overhead Expenses

1998 Budgeted General Administrative Expenditures - #4440 - 013		Utility Revenue Req.	Percent Redmond Allocation	Redmond Revenue Req.	Notes
63410	Administration - General				
63410 100	Personal Services	$229,129			Water General Administrative cost, then allocated by % of flow.
Less	Adjustments	0			
63410 100	*Subtotal, Personal Services*	$229,129	2.26%	$5,175	Allocated by % of flow times % of purchased water costs for total utility.
63410 200	Personnel Benefits	55,768			
Less	Adjustments	0			
63410 200	*Subtotal, Personnel Benefits*	$55,768	2.26%	1,260	Allocated by % of flow times % of purchased water costs for total utility.
63410 300	Supplies	7,661	2.26%	173	Allocated by % of flow times % of purchased water costs for total utility.
63410 400	Other Services/Charges	338,420			
Less 442	Legal Notices	(1,050)			Notices not relevant to wholesale.
471	Electricity	(1,050)			Utilities for rental building; not water-related.
472	Natural Gas	(2,900)			Utilities for rental building; not water-related.
473	Water Billings	(300)			Utilities for rental building; not water-related.
474	Sewer Billings	0			Utilities for rental building; not water-related.
475	Drainage Billings	(1,260)			Utilities for rental building; not water-related.
481	Street Lighting Maintenance	(58,400)			Street lighting not allocable to wholesale.
498	Tax/Service Rebate	(86,500)			Not allocable to wholesale.
63410 400	*Subtotal, Other Services/Charges*	186,960	2.26%	4,223	Allocated by % of flow times % of purchased water costs for total utility.
63410 500	Intergovernmental Services & Taxes	1,393,300			
Less 530	Taxes & Assessments	(1,312,900)			Not allocable to wholesale.
531	Franchise Fees	(72,200)			Not allocable to wholesale.
63410 500	*Subtotal, Intergovernmental Services & Fees*	8,200	2.26%	185	
63410 600	Capital Outlays	6,000	0.00%	0	Not allocable to wholesale.
63410 900	Interfund Service Payments	996,027			
Less 920	Direct Overhead - First Class Mail	(7,005)			Not allocable to wholesale.
921	Direct Overhead - Bulk Mail	(6,113)			Not allocable to wholesale.
922	Direct Overhead - Mail Contract	(1,087)			Not allocable to wholesale.
924	Direct Overhead - Graphics	0			Not allocable to wholesale.
925	Direct Overhead - Word Processing	(400)			Not allocable to wholesale.
926	Direct Overhead - Copy Center	(2,100)			Not allocable to wholesale.
927	Direct Overhead - Long Distance	(1,076)			Not allocable to wholesale.
928	Direct Overhead - Special Lines	(26,592)			Not allocable to wholesale.
929	Direct Overhead - PC Installs	0			Not allocable to wholesale.
932	Direct Overhead - Property Services	(63,242)			Not allocable to wholesale.

[illegible]	EERF Maintenance Charges (Radio System)	[illegible]		[illegible]	Radio system costs not allocable to wholesale.
[illegible]	[illegible]	[illegible]		[illegible]	Not allocable to wholesale.
63410 900	*Interfund Service Payments*	827,128	2.26%	18,681	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	Administration Costs Allocated	[illegible]	0.00%	0	Not allocable to wholesale.
	Subtotal, General Overhead Revenue Req.:	$3,026,305	0.98%	$29,697	

1998 Budgeted Engineering Admin. Expenditures - #4440 - 011		Utility Revenue Req.	Percent Redmond Allocation	Redmond Revenue Req.	
[illegible]	Administration, General	[illegible]			
[illegible]	Personal Services	$128,057			
[illegible]	Less: Abundance	[illegible]			
63410 100	*Subtotal, Personal Services*	$128,057	2.26%	$2,892	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	Personal Benefits	30,951			
[illegible]	Less: Abundance	[illegible]			
63410 200	*Subtotal, Personnel Benefits*	30,951	2.26%	699	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	Supplies	10,000	2.26%	226	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	Other Services/Charges	2,286			
[illegible]	Legal Notices	[illegible]			Notices not relevant to wholesale.
63410 400	*Subtotal, Other Services/Charges*	2,286	2.26%	52	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	Interfund Service Payments	[illegible]	2.26%	98	Allocated by % of flow times % of purchased water costs for total utility.
	Subtotal, Engineering Overhead Revenue Req.:	$175,730	2.26%	$3,967	
	Total Overhead Revenue Requirement:	$3,202,035	1.05%	$33,664	
	Seattle Meter Charge for N.E. 40th Meter	$4,500	44.00%	$1,980	Allocated by % of Redmond ownership in joint facilities.

Redmond Monthly Overhead Charge:	$2,805.32	*(For purposes of comparison:)* *(Est. per ccf):*	*$0.0677*
Annual Redmond Purchased Water Cost: (Assuming Seattle supply)	$487,921		
Annual Seattle Meter Charge:	$1,980		
Average Monthly Redmond Wholesale Costs: (Water cost plus Overhead Charge plus Meter Charge, assuming Seattle Supply)	$43,630		

City of Bellevue

Water Rate Model

Calculation of Redmond Overhead Mark-Up

REDMOND Page 1
Last Edit: 05-Jun-98

Assumed Wholesale Supplier: Cascade Water Alliance

Calculation of Redmond Allocation Factor:	
Total Utility Cost:	$15,232,220
Purchased Water Cost:	5,340,288
Less: RCFC Cost (if CWA Supply)	0
Purchased Water Cost less RCFCs	5,340,288
Purchased Water as % of Total Cost:	35.059%
Redmond Volume:	496,890
Total Volume:	7,691,473
Redmond Vol. as % of Total Vol.:	6.460%
(% Purchased Water Cost) x (% Redmond Volume) =	2.265%

Allocation of Overhead Expenses

1998 Budgeted General Administrative Expenditures - #4440 - 013		Utility Revenue Req.	Percent Redmond Allocation	Redmond Revenue Req.	Notes
63410	Administration - General				
63410 100	Personal Services	$229,129			Water General Administrative cost, then allocated by % of flow.
Less:	Adjustments	0			
63410 100	Subtotal, Personal Services	$229,129	2.26%	$5,190	Allocated by % of flow times % of purchased water costs for total utility.
63410 200	Personnel Benefits	55,768			
Less:	Adjustments	0			
63410 200	Subtotal, Personnel Benefits	$55,768	2.26%	1,263	Allocated by % of flow times % of purchased water costs for total utility.
63410 300	Supplies	7,681	2.26%	174	Allocated by % of flow times % of purchased water costs for total utility.
63410 400	Other Services/Charges	338,420			
Less: 412	Legal Notices	(1,050)			Notices not relevant to wholesale.
471	Electricity	(1,050)			Utilities for rental building; not water-related.
472	Natural Gas	(2,900)			Utilities for rental building; not water-related.
473	Water Billings	(300)			Utilities for rental building; not water-related.
474	Sewer Billings	0			Utilities for rental building; not water-related.
475	Drainage Billings	(1,260)			Utilities for rental building; not water-related.
481	Street Lighting Maintenance	(58,400)			Street lighting not allocable to wholesale.
498	Tax/Service Rebate	(88,500)			Not allocable to wholesale.
63410 400	Subtotal, Other Services/Charges	186,960	2.26%	4,234	Allocated by % of flow times % of purchased water costs for total utility.
63410 500	Intergovernmental Services & Taxes	393,300			
Less: 530	Taxes & Assessments	(1,312,900)			Not allocable to wholesale.
531	Franchised Fees	(72,200)			Not allocable to wholesale.
63410 500	Subtotal, Intergovernmental Services & Fees	8,200	2.26%	188	
63410 600	Capital Outlays	6,000	0.00%	0	Not allocable to wholesale.
63410 900	Interfund Service Payments	896,027			
Less: 920	Direct Overhead - First Class Mail	(7,005)			Not allocable to wholesale.
921	Direct Overhead - Bulk Mail	(6,113)			Not allocable to wholesale.
922	Direct Overhead - Mail Contract	(1,087)			Not allocable to wholesale.
924	Direct Overhead - Graphics	0			Not allocable to wholesale.
925	Direct Overhead - Word Processing	(400)			Not allocable to wholesale.
926	Direct Overhead - Copy Center	(2,100)			Not allocable to wholesale.
927	Direct Overhead - Long Distance	(1,076)			Not allocable to wholesale.
928	Direct Overhead - Special Lines	(20,592)			Not allocable to wholesale.
929	Direct Overhead - PC Installs	0			Not allocable to wholesale.
932	Direct Overhead - Property Services	(63,242)			Not allocable to wholesale.

[illegible]	[illegible]			Radio system costs not allocable to wholesale.
[illegible]	[illegible]			Not allocable to wholesale.
63410 900 Interfund Service Payments	827,128	2.26%	16,734	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	[illegible]	[illegible]	0	Not allocable to wholesale.
Subtotal, General Overhead Revenue Req.:	$3,026,305	0.98%	$29,780	

1998 Budgeted Engineering Admin. Expenditures - #4440 - 011

	Utility Revenue Req.	Percent Redmond Allocation	Redmond Revenue Req.	
[illegible]	[illegible]			
63410 100 Subtotal, Personal Services	$128,057	2.26%	$2,900	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	[illegible]			
63410 200 Subtotal, Personnel Benefits	30,951	2.26%	701	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	[illegible]	2.26%	226	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	[illegible]			Notices not relevant to wholesale.
63410 400 Subtotal, Other Services/Charges	2,286	2.26%	52	Allocated by % of flow times % of purchased water costs for total utility.
[illegible]	[illegible]	2.26%	98	Allocated by % of flow times % of purchased water costs for total utility.
Subtotal, Engineering Overhead Revenue Req.:	$175,730	2.26%	$3,978	
Total Overhead Revenue Requirement:	$3,202,035	1.05%	$33,758	
[illegible]	[illegible]	[illegible]	$1,980	Allocated by % of Redmond ownership in joint facilities.

Redmond Monthly Overhead Charge:	$2,813.17	(For purposes of comparison:) (Est. per ccf): $0.0679
Annual Redmond Purchased Water Cost: (Assuming CWA supply)	$492,474	
Annual Seattle Meter Charge:	$1,980	
Average Monthly Redmond Wholesale Costs: (Water cost plus Overhead Charge, assuming CWA)	$44,018	

SEP.30.2003 9:31AM CUK FM SIUKM ENG NO.103 P.11

fcsg

facsimile TRANSMISSION

DATE: 7/23/98 TIME: 1:50 PAGES (including cover sheet): 2

TO: Larry Southwick, Bellevue Util, fax: 452-5214

TO: _____, fax: _____

TO: _____, fax: _____

TO: _____, fax: _____

FROM: Tracey Dunlap; FCS Group, Inc. Fax. No. (425) 867-1937

SUBJECT: Summary Table - Redmond Charge

MESSAGE:

☐ For approval ☑ For your use ☐ As requested ☐ For review & comment by: _____

☐ Approved as noted ☐ Returned for corrections ☐ Original documents to follow via _____

As discussed.

The information contained in this facsimile transmission is privileged and/or confidential and is intended only for the use of each individual or entity named above. If the reader of this cover page is not an intended recipient or an agent responsible for delivering it to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication or the information contained in this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone at (425) 867-1802 so that we may arrange for retrieval of the original transmission. Thank you.

FINANCIAL CONSULTING SOLUTIONS GROUP, INC.
8642 154TH AVENUE NE, REDMOND, WA 98052 - VOICE (425) 867-1802 - FAX (425) 867-1937 - www.fcsgroup.com

City of Bellevue
Water Rate Model
Redmond Charge Summary
(With Seattle Public Utilities Water Supply)

Cost Element	Annual	Monthly
Overhead Cost	$33,664	$2,805
Purchased Water Cost	487,921	40,660
Seattle Meter Charge	1,980	165
TOTAL	$523,565	$43,630

FILED NO. 15182
CITY OF BELLEVUE
DATE 9/28/90
DEPUTY CITY CLERK
Shawn Mast

ORIGINAL

Res. 5227

AGREEMENT FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF JOINT-USE WATER STORAGE AND PUMPING FACILITY

This Agreement is made and entered into pursuant to the provisions of the Interlocal Cooperation Act Chapter 39.34 RCW, by and between the City of Bellevue (hereinafter called "Bellevue"), and the City of Redmond (hereinafter called "Redmond"), both municipal corporations of the State of Washington.

WHEREAS, each of the parties has a present and future need for water storage which, if a joint-use storage and pump facility is not constructed would require construction of separate storage and pumping facilities by each party, and

WHEREAS, Bellevue and Redmond desire to work cooperatively in the construction, operation and maintenance of joint-use water storage facilities because of the opportunity for reduced costs and reduced adverse environmental impacts as compared to the construction of separate water storage and pumping facilities, now, therefore,

In consideration of the mutual covenants contained herein, the parties agree to participate in the construction, operation and maintenance of joint-use water storage and pump station facilities pursuant to the following terms and conditions:

1. Purpose

This Agreement is intended to set forth the terms and conditions upon which Bellevue and Redmond agree to cooperate for the purpose of the construction, operation and maintenance of the joint-use water storage and pumping facility.

2. Administration of Agreement

Bellevue shall be the lead agency charged with responsibility for administration of this Agreement. The specific responsibilities of the parties are set forth hereinafter.

3. Scope of Work

For the purpose of this agreement, the project shall include acquisition of site, construction engineering and construction work related to the water storage structure, pump station building, pumps, pipelines and other appurtenances associated with the storage and pump station facilities.

4. Land Procurement

Bellevue has acquired real property at 4075 148th Avenue NE for the construction of the water reservoir and pump station mentioned herein. Redmond shall share in the cost of such acquisition. Redmond shall pay Bellevue 44% of the cost of said property within 45 days of receipt of invoice from Bellevue for acquisition of the property by Bellevue, in consideration of conveyance of a 44% undivided interest in the real property as provided in paragraph 8 below.

5. Construction

The City of Bellevue shall take all necessary steps to provide for the construction, including construction administration and inspection, of the reservoir and pump station, subject to written approval of the design, plans and specification, and construction by the City of Redmond in accordance with this Agreement; Redmond agrees not to unreasonably withhold such approval.

Bellevue has previously furnished Redmond with the plans and specifications for review and approval by Redmond at three stages in the final design. The first stage was when the final design was fifty percent (50%) complete, the second stage was when the final design was ninety percent (90%) complete, and the third stage was when the final design was one hundred percent (100%) complete. Each stage was approved by Redmond.

Bellevue shall be the contracting "owner" with the contractor and shall be responsible for all phases of the construction and completion of the reservoir and pump station in accordance with the approved plans. Bellevue shall coordinate and keep Redmond informed of the contractor's progress during construction. Upon completion of the work in accordance with the approved plans and the satisfactory testing of the reservoir and pump station, Bellevue shall notify Redmond of the date and time of the final construction inspection. Such notice shall be furnished to Redmond in writing, two weeks before the date of final construction inspection. Redmond personnel may accompany the Bellevue personnel on final inspection for purposes of creating a final checklist (punchlist) for the construction contractor to complete. Upon satisfactory completion by the contractor of the checklist (final punch list), Redmond shall furnish its written approval of the construction to Bellevue. Bellevue's acceptance of the work shall be by Motion by the Bellevue City Council. A copy of such Motion shall be furnished to Redmond.

Bellevue shall furnish Redmond with a copy of the advertisements for bids and shall make available bids received for review by Redmond. Bellevue shall recommend the award of a contract to the bidder regarded by Bellevue as the lowest and best bidder. Bellevue shall provide Redmond with a copy of the contract and notice to proceed and approval thereof by Bellevue.

6. Sharing of Costs

The Bellevue Parks Department shall contribute $150,000 to this project to offset increased construction cost to locate the reservoir on the north parcel of land versus the land fronting NE 40th. The remaining costs shall be shared between Bellevue and Redmond.

Bellevue shall be responsible for paying all of the costs of; land procurement, construction of the reservoir and pump station for which it shall receive reimbursement from Redmond of forty four (44%) percent of that amount (minus the $150,000 received from Bellevue Parks Department). Redmond's estimated share of the cost is $1,650,000.00. A copy of the current cost estimate of $3,750,000.00 dated December 1989 is attached for reference. Both Bellevue and Redmond shall maintain separate accounting of its costs associated with the construction of the pump stations. The effective starting date for such accounting for the purposes of cost sharing shall be the date of bid advertisement.

An itemization of the costs for the purposes of calculating the shared cost amounts between Bellevue and Redmond associated with the construction of the reservoir and pump station, consist of the following items:

- Total Consultant fees for labor and expenses for construction administration assistance, startup assistance, construction management, construction inspection and/or other directly related assistance as may be required during the construction period for the reservoir and pump station, shall be shared costs.

- Total construction costs including approved change order extras for the reservoir and pump station shall be shared costs.

- Total labor and expenses incurred after the bid advertisement date by both Bellevue and Redmond associated with construction review, inspection, and administration shall be shared costs.

- Cost of Land

Any future LID assessments to the reservoir and pump station property located at 4075 148th Avenue NE shall be borne by each of the parties in the same percentages as aforementioned.

7. Method of Payment

Bellevue will prepare and forward a monthly invoice to Redmond for its share of costs for construction of the reservoir and pump station, together with a copy of the bills/invoices received by Bellevue from its consultants, contractors, and other third parties for costs for construction for the Project. Redmond

shall pay such costs within forty-five (45) days of receipt of invoice from the City. Redmond shall provide Bellevue with an accounting of its costs chargeable to the Project and Bellevue shall pay or offset such allowable expenses within forty-five (45) days of receipt thereof. If Redmond fails to make full invoice payment within said forty-five (45) days, then penalty interest shall accrue on the unpaid amount at the daily Seattle First National Bank Prime Interest Rate in effect at such time. Bellevue shall account for such penalty interest and include the interest amount on the following monthly invoice.

8. Ownership and Rights

Bellevue shall obtain ownership of the reservoir and pump station along with all the piping and appurtenances. In consideration of Redmond's payment of 44% of the cost of the reservoir and pump station and the real property on which they are situated, Bellevue conveys and Redmond accepts a 44% interest in the property, reservoir and pump station, and all piping and appurtenances. Bellevue shall provide a statutory warranty deed, bill of sale, and all other documents required to evidence conveyance of title to Redmond.

9. Operation and Maintenance

Bellevue shall be responsible for providing necessary personnel, material and supplies, for the proper operation and maintenance of the reservoir and pump station after they are put into service. The operation and maintenance of the reservoir and pump station shall include, but not be limited to the following: Weekly site visits by maintenance staff, test, repair, replacement or overhauling of any pump, motor, pipeline valve, or telemetry component, normal record keeping, maintaining grounds on the site, periodic draw downs of reservoir for inspection, inspection and routine maintenance of system components as recommended by manufacturers, reservoir and pump station painting, meter calibrations and operations of reservoir and pump station in conjunction with flow monitoring. The costs for providing the proper operation and maintenance shall be shared by the parties in accordance with the aforementioned percentages; provided any scheduled maintenance shall not exceed $5,000, unless Redmond has consented to and approved in writing such maintenance item. In addition, the cost of electrical energy required to operate the reservoir and pump station shall be borne in the aforementioned percentages by Bellevue and Redmond.

Bellevue shall maintain a separate labor work order number for operation and maintenance of the reservoir and pump station to record all Bellevue staff work on the reservoir.

Bellevue will prepare and forward a monthly invoice to Redmond, together with a copy of the current electric bill and copies of any charges by third parties associated with operation and maintenance for the period for which Redmond is invoiced.

Redmond shall remit invoice payment to Bellevue within forty-five (45) days after receipt of invoice. If Redmond fails to make full invoice payment within said forty-five (45) days, then penalty interest shall accrue on the unpaid amount at the daily Seattle First National Bank Prime Interest Rate in effect at such time. Bellevue shall account for such penalty interest and include the interest amount on the following monthly invoice.

10. Pump Station Change

Bellevue or Redmond may change the pump size in the pump station as reasonably required subject to the prior approval of the other party which shall not be unreasonably withheld. The terms of such changes shall be negotiated between Bellevue and Redmond at such time as pump station change becomes necessary.

11. Salvage

Should the useful life of either the reservoir or pump station become obsolete, and salvage operations become desirable for whatever reason, Bellevue or Redmond shall make proposal of said disposition to the other party, and obtain written acceptance of this proposal from other party before conducting salvage operations. The costs and benefits of a salvage operation to either of the reservoir or pump station including the land shall be shared in the aforementioned percentages.

12. Indemnity

Bellevue agrees to defend, save harmless, and indemnify Redmond from and against any and all claims and demands for injury or death to persons and/or damage to property arising out of the operation and maintenance of the reservoir and pump station by Bellevue except as may be caused by the acts and negligence of Redmond, its agents, servants, or employees, or through acts of nature.

Bellevue agrees to defend, save harmless, and indemnify Redmond from and against any and all claims for injury or death to persons and for damage to property arising out of the construction of the reservoir and pump station except as may be caused by the acts and negligence of Redmond, its agents, servants, or employees, or through acts of nature.

Bellevue's consultant shall be required to maintain professional liability insurance with limits of not less than $1,000,000.00 and have Redmond named as additional insured.

13. Assignability

This agreement shall be binding upon all successors and assignees of the parties, who must be public agencies.

14. Amendments

Either party may request in writing the other party to consider an amendment to this Agreement. If the amendment is mutually acceptable to both parties said Agreement shall be made in writing, signed by both parties and attached to this Agreement.

15. Filing of Agreement

Pursuant to Chapter 39.34 RCW, a copy of this Agreement shall be filed with the Bellevue City Clerk, Redmond City Clerk, Records and Elections and the Secretary of State.

Dated this 28th day of September, ~~1988~~ 1990.

CITY OF BELLEVUE

By Pam Bissonnette
Phillip Kushlan, City Manager

APPROVED AS TO FORM:

By
Richard Kirkby
Assistant City Attorney

CITY OF REDMOND

By Doreen Marchione
Doreen Marchione, Mayor

APPROVED AS TO FORM:

By
Larry C. Martin
City Attorney

WJ/llm
D8/89-0186

EXHIBIT A

CONSTRUCTION COST ESTIMATE
December 89

City of Bellevue/City of Redmond
NE 40th Reservoir and Pump Station

1)	Land Costs	-	$ 344,137
2)	Construction Engineering		
	I - Consultant Services (JMM)	-	$ 270,000
	II - Cities Staff Admin.	-	$ 40,000
3)	Construction Cost (Based on ENR Index (Seattle) of 4748)	-	$3,095,863
	TOTAL ESTIMATED CONSTRUCTION COST	-	$3,750,000

BELLEVUE'S SHARE (55%) - $2,100,000
REDMOND'S SHARE (44%) - $1,650,000

D11/90-0298

Superceded by 1998 agreement

FILED NO. 15181
CITY OF BELLEVUE
DATE 6/1/90
DEPUTY CITY CLERK
Shawn Matt
Res. 5224

0314C

AGREEMENT FOR WHOLESALE WATER SUPPLY
BETWEEN CITY OF BELLEVUE AND CITY OF REDMOND

This Agreement is made and entered into by and between the City of Bellevue, hereinafter referred to as "Bellevue," a municipal corporation of the State of Washington, and the City of Redmond, hereinafter referred to as "Redmond," a municipal corporation of the State of Washington.

WHEREAS, there currently exists a contract dated November 7, 1972, between Bellevue, Redmond, and King County Water District #99; providing for the operation of a water supply and distribution system within the service areas specified in said contract; and

WHEREAS, King County Water District #99 no longer exists as a legal entity and it is therefore necessary and desirable to enter into a new Interlocal Agreement between Redmond and Bellevue which sets forth the respective duties and responsibilities of said parties with respect to distribution of water supply within the respective service areas of said cities; and

WHEREAS, it is in the interests of the public served by both Bellevue and Redmond to enter into a new Interlocal Agreement;

NOW, THEREFORE, it is convenanted and agreed as follows:

1. Purpose. The purpose of this Interlocal Agreement is to provide for the respective responsibilities and obligations of Bellevue and Redmond to provide for the construction, operation, and maintenance of water supply facilities within the common service area set forth in this Agreement.

2. Joint-use/Ownership - Watermains. The existing watermains listed below are to be classified as joint-use/ownership. Each agency

shall have a 50 percent (50%) ownership of the joint-use/ownership mains. The agency identified as having responsibility for each watermain is responsible for all maintenance and operation of the watermain, including mainline valves, hydrants and hydrant piping. Each City is responsible for maintenance and repair for their own individual service lines (including saddles, corporation stops and any valves) and any mainline connection to a joint-use/ownership main. The cost of replacement of a joint-use/ownership main shall be shared equally between each City. The agency identified as having responsibility for each joint-use/ownership main shall have the authority to determine when the joint-use/ownership main needs to be replaced. Each agency shall provide at least two years notice of any scheduled replacement to the other agency so budget impacts can be allotted for.

Joint-use/Ownership Watermains:

A. Existing watermain on 148th Avenue between NE 20th Street and NE 51st Street - City of Bellevue's responsibility.

B. Existing watermain on NE 20th Street and Bellevue-Redmond Road from 148th Avenue NE to 156th Avenue NE - City of Remond's responsibility.

C. Existing watermain on 156th Avenue NE from Bellevue-Redmond Road to NE 30th Street - City of Redmond's responsibility.

3. Transfer of Previous Joint-use Mains: The existing watermains listed below were previously identified as joint-use mains; by this

agreement ownership to those watermains shall be transferred from the City of Bellevue to the City of Redmond. The City of Bellevue shall provide the City of Redmond copies of as-builts, maintenance records or other documents they have on the watermains to be transferred.

A. Existing watermain on 154th Avenue NE between NE 40th Street and a point approximately 800 feet North of NE 36th Street.

B. Existing watermain on 156th Avenue from NE 30th Street to NE 40th Street.

4. Service Area. Redmond and Bellevue hereby establish their common service area boundary to be as shown on Exhibit 1. Each city shall be the direct provider of water service within its service area boundary except for those properties shown on Exhibit 1 or defined by subsequent amendment to this Agreement.

If the unincorporated area shown on Exhibit 1 or any portion of the area is annexed into Redmond, responsibility for water service to that portion annexed shall automatically be transferred to Redmond under the direct meter read area.

Unless otherwise agreed, ownership and water service responsibilities for any non-joint-use watermains, services and customers that are located within the other city's service area boundary, as shown on Exhibit 1, shall be transferred to the other City within twelve months of the date of this Agreement.

Within the Redmond service area there is hereby established a "direct read meter area" and a "master meter area." The boundaries for direct read meter areas are shown on Exhibit 2. Remaining areas supplied by Bellevue are in the master meter area.

5. Metering

A. Master Meter Areas

1) Redmond. Redmond shall construct, operate, and maintain three master meters to measure the quantity of water entering the Redmond master meter area. The location of the meters shall be as follows:

a. NE 40th Street between SR 520 and 156th Avenue.

b. 156th Avenue NE between NE 31st Street and NE 36th Street.

c. NE 24th Street between 171st Avenue and 173rd Avenue.

Prior to construction of the master meter, Redmond shall submit the meter design to Bellevue for review and approval. The meter shall be designed to provide 98 percent (98%) accuracy for a flow range between 50 gpm and 1,000 gpm.

2) Bellevue. Bellevue shall construct, operate, and maintain one master meter to measure the quantity of water leaving the Redmond master meter area. The location of the meter shall be as follows:

a. Bellevue-Redmond Road between NE 32nd Street and NE 35th Street.

Prior to construction of the master meter, Bellevue shall submit the meter design to Redmond for review and approval. The meter shall be designed to provide 98 percent (98%) accuracy for a flow range between 50 gpm and 1,000 gpm.

3) Ownership/Maintenance. Each City shall own its respective master meters and shall provide routine operation and maintenance.

B. Direct Read Meter Area.

1) Redmond. The City of Redmond shall construct, operate, and maintain individual service meters to all water users to measure the quantity of flow consumed in the direct read meter area. These meters shall be the standard distribution meters used by the City of Redmond.

2) Ownership/Maintenance. The City of Redmond shall own all individual service meters and shall provide routine operation and maintenance.

C. Calibration of Meters. All meters shall be calibrated at regular intervals to provide for proper measurement of water usage.

Meters shall be calibrated according to the following schedule:

I.	Master Meters	January of even numbered years (except 1990)
II.	Individual service meters in direct read area:	
	1) over 2 inch	Every 5 years
	2) 2 inches and smaller	Every 10 years

The cost of meter calibration shall be paid by the owner of the meter. Any meter with accuracy limits which do not meet or exceed those listed in the latest edition of the AWWA manual M6 under, Accuracy Limits for Removal from Service, shall be replaced by the owner of the meter.

6. Flushing Allowance. An allowance for actual water used for watermain and tank flushing as stipulated in the water purveyor contract,

dated November 1981, between Bellevue and Seattle, will be credited to Redmond; provided, however, that Redmond shall furnish Bellevue a certified statement of actual flushing water used by measurement, or calculated by formula acceptable to Bellevue.

7. Interconnection or Extensions with Other Parts of Redmond Water Systems. Redmond agrees not to interconnect the water system within the direct read meter areas, to other parts of its water system or customers outside the direct meter areas without the written (or oral, in case of emergency) approval of Bellevue.

8. Supply of Water. Any restriction of the supply of water to Redmond shall be on an equitable basis in relation to the service provided to other customers of the water system in the general vicinity.

If noncompatible water sources are used in the future, the party desiring to make the change shall negotiate such change with the other party. The change may result in cross ties being installed at the changing party's expense.

9. Cost of Water. Water Purveyor Rate. It is agreed that the Water Purveyor's rate to be charged to Redmond shall be the rate charged by the City of Seattle. The City of Seattle rate shall be computed to include: Old and new water costs, any demand charges that are related to or caused by Redmond, seasonal charges, conservation charges or any other charge applied by the City of Seattle.

In addition to the rate charge, Redmond shall pay a fixed monthly charge of $610.00 and a volume rate charge of $0.042 per hundred cubic feet. The fixed monthly charge and the volume rate charge are based on Financial Analysis Study dated December 27, 1988, completed by

Financial Consulting Solutions Group Inc. (FCS&G) and are to recover fixed monthly meter charge from Seattle and administrative overhead by Bellevue.

Bellevue may adjust the fixed monthly and volume rate charge to account for the increased meter charge by Seattle, inflation, and increased administrative cost. Adjustments shall be based on the same approach used in the analysis completed by FCS&G.

10. Billing.

A. Determining Usage. Redmond shall read the individual service meters in the direct read area. All meters shall be read monthly or bi-monthly. The Redmond direct meter area usage shall be determined by summing the usage of all individual service meters then multiplying the total by 1.143. (The factor is to provide for unaccounted system losses of 12.5% of the total direct meter area usage.)

Redmond shall read the Redmond master meters monthly and the Bellevue master meter monthly. The total master meter usage shall be determined by summing the usage of the three Redmond master meters and subtracting the usage of the Bellevue master meter.

B. Reporting Usage. Redmond shall report to Bellevue within 30 days of meter reading the total individual service meter usage and the calculated direct meter area usage from this report shall include a list of all individual meters and accounts and usages in January of each year. Redmond shall prepare a report, listing all meters within the direct meter area which shall highlight any meters added or deleted within the previous calendar year. This report shall be provided to Bellevue for its use in verifying that all metered usage is being

reported. This report shall also identify which meters were calibrated within the calendar year. Redmond shall report to Bellevue within 30 days of reading the master meter usage.

C. Redmond shall submit a monthly payment to Bellevue based on water volume read for the specific billing period. Submitted with the payment shall be a report listing the water usage of all the individual and master meters for the specific billing.

11. Old Water Allowance. The following is Redmond's old water consumption allowances, based on water usage from January 1979 through December 1981. Any consumption in excess of the allowance shall be classified as new consumption and charged under Seattle's Growth charge rate:

	Month	Cumulative
January	17656	17656
February	17235	34891
March	14686	49577
April	18425	68002
May	16794	84796
June	23462	108258
July	22386	130644
August	29010	159654
September	29897	189551
October	27946	217497
November	23128	240625
December	20667	261292
Yearly Total	261292	

12. Responsibility for Damages, Repair and Replacement. Redmond and Bellevue shall each be separately responsible for maintenance, repair and replacement of those facilities which are solely owned by such city. In the event of damages, repair, replacement, and maintenance of joint-use watermains where each city has a 50 percent (50%) ownership of such main pursuant to Section 3 of this Agreement, the parties shall each contribute to the cost of such repair, replacement, or maintenance on a

50/50 percent basis. To the extent that any joint ownership main is damaged in whole or part by the negligent activities of a party to this Agreement, the city so causing such damage shall, in addition to its obligation to pay 50 percent of the cost of repair, replacement, or maintenance pursuant to the preceding paragraph, also pay the same percentage of the remaining expense as its degree of negligence bears to 100 percent.

13. Liability/Hold Harmless. Bellevue shall indemnify, defend, and hold harmless Redmond, its officers, agents, and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission, or failure of Bellevue, its officers, agents, and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Redmond, it officers, agents, and employees, Bellevue expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. This paragraph shall not apply to any damage resulting from the negligence of Redmond, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Redmond, its agents, or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Bellevue, its officers, agents, and employees.

Redmond shall indemnify, defend and hold harmless Bellevue, its officers, agents, and employees, from and against any and all claims, losses, or liability, including attorneys fees, arising from injury or death to persons or damage to property occasioned by any act, omission, or failure of Redmond, its officers, agents, and employees, in the performance of this Agreement. With respect to the performance of this Agreement and as to claims against Bellevue, it officers, agents, and employees, Redmond expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this paragraph extends to any claim brought by or on behalf of any employee of Bellevue. This paragraph shall not apply to any damage resulting from the negligence of Redmond, its agents, and employees. To the extent any of the damages referenced by this paragraph were caused by or resulted from the concurrent negligence of Redmond, its agents, or employees, this obligation to indemnify, defend and hold harmless is valid and enforceable only to the extent of the negligence of Redmond, its officers, agents, and employees.

14. Dispute Resolution. Each city shall designate representatives for the purposes of administering this Agreement and resolving disputes arising from this Agreement. Each city shall notify the other in writing of its designated representatives. Each City may change its designated representatives on notice to the other.

Disputes that cannot be resolved by the representatives designated herein shall be referred to the chief executive officer of each city for mediation and/or settlement. If not resolved by them

within sixty (60) days, either city, or both of them, may file a demand for arbitration, in which event the issues shall be submitted to an arbitrator acceptable to both parties and the matter shall be arbitrated pursuant to the rules and procedures of the American Arbitration Association. The decision of the arbitrator shall be final and binding on both cities.

15. Modification of Agreement. This Agreement may only be modified in writing signed by the parties.

16. Severability. If any provision of this Interlocal Agreement shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which could be given effect without the invalid provision, and to this end the provisions of this Agreement are declared to be severable.

HEREBY AGREED TO AND ACCEPTED BY this the 19th day of July, 1990.

CITY OF BELLEVUE	CITY OF REDMOND
BY: Pam Bissonnette	BY: Doreen Marchione
Phillip Kushlan, City Manager	Doreen Marchione, Mayor
Approved as to form:	Approved as to form:
BY:	BY:
Assistant City Attorney	City Attorney

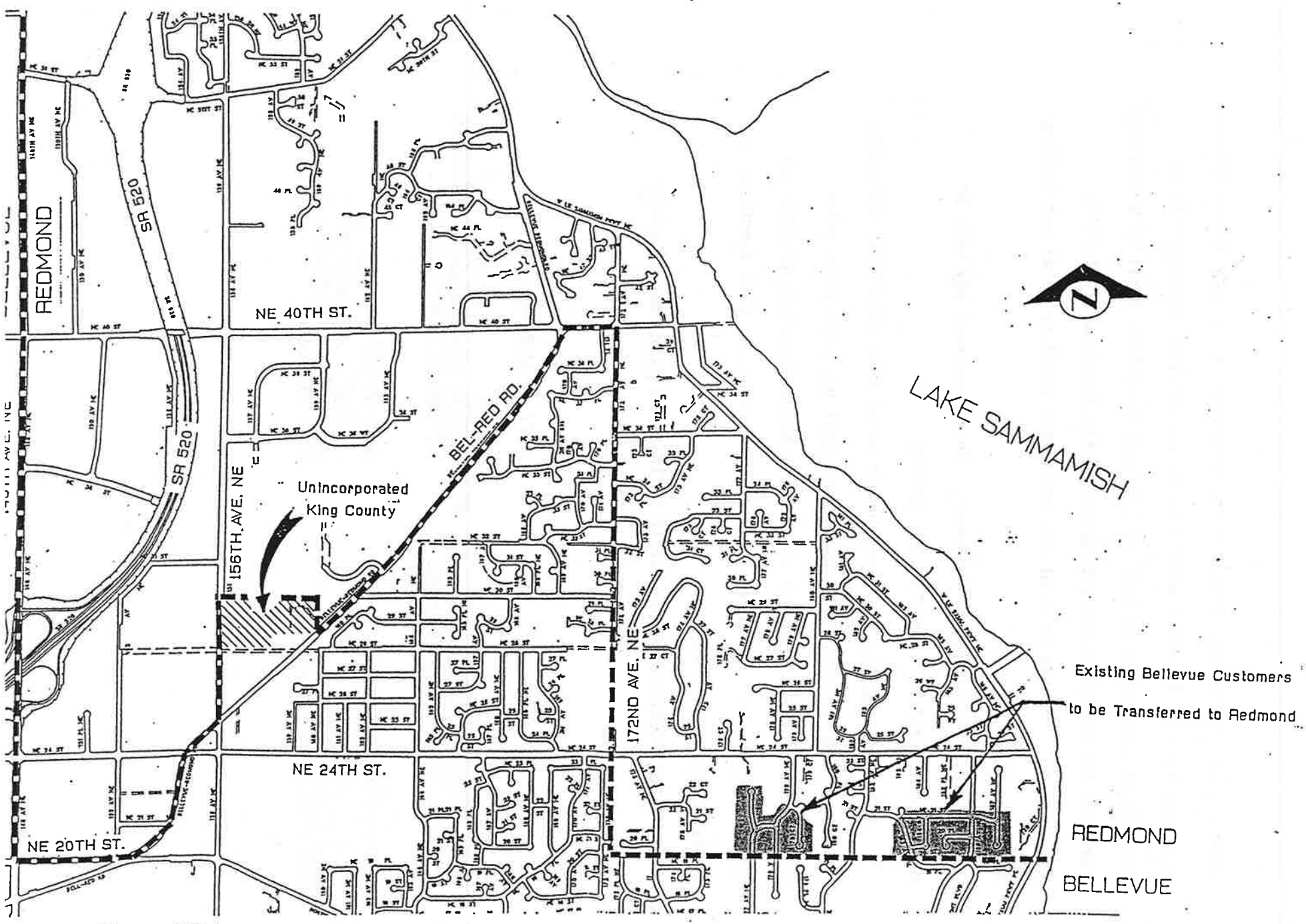


EXHIBIT 1

SEE ICE AREA BOUNDARY

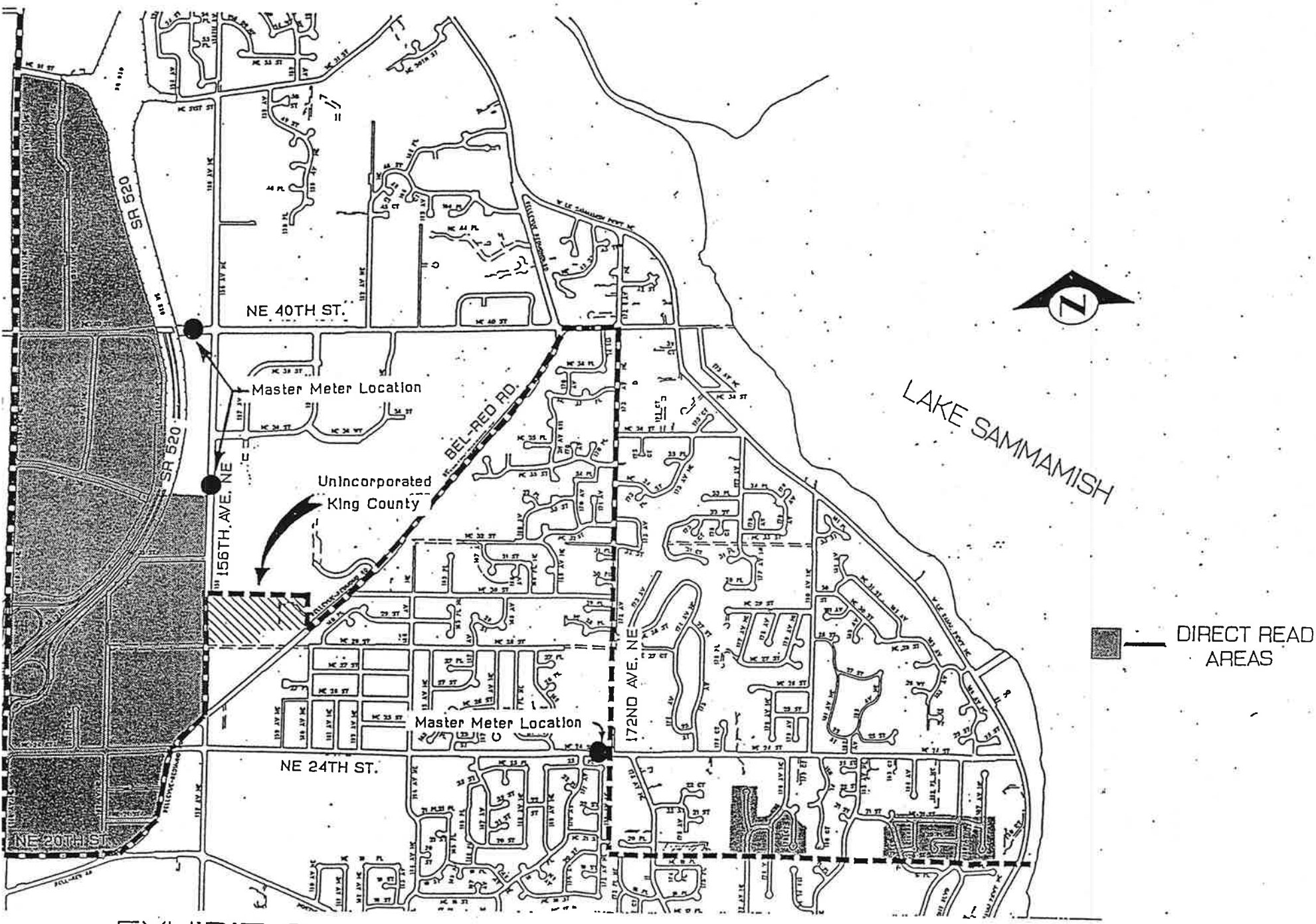


EXHIBIT 2

DIRECT METER READ AREAS

ORIGINAL

FILED NO. 11696
CITY OF BELLEVUE
DATE 10/30/86
CITY CLERK Janice O'Connell

4121m

WATER SERVICE TRANSFER AGREEMENT
ARDMORE EAST ANNEXATION AREA

THIS AGREEMENT made and entered into this 5th of Nov., Res. 4808 1986, by and between the City of Redmond, hereinafter referred to as "Redmond", and the City of Bellevue, hereinafter referred to as "Bellevue", both municipal corporations of the State of Washington,

WITNESSETH:

WHEREAS, Redmond and Bellevue are authorized by Chapter 39.34 RCW, the Interlocal Cooperation Act, to enter into cooperative agreements; and

WHEREAS, Redmond and Bellevue have previously entered into water service agreements for portions of the subject area described and designated on Exhibit A, attached hereto and by this reference incorporated herein; and

WHEREAS, Bellevue annexed the subject area on December 21, 1985; and

WHEREAS, Bellevue is now capable of providing water service to all of the customers in the subject area; and

WHEREAS, both parties desire wherever possible and convenient to mutually assist one another;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it is agreed as follows:

Section 1. The purpose of this agreement is to transfer water service to the subject area from Redmond to Bellevue subject to the conditions stated herein.

Section 2. All water service facilities and easements within the subject area described and designated on Exhibit A shall become for all purposes, including customer service charges and maintenance, the property of Bellevue.

EXECUTED COPY

Section 3. Redmond will provide to Bellevue all available information necessary to account for facilities and other property to be transferred from Redmond to Bellevue and shall execute a bill of sale or other documentation at the transfer of property determined necessary by Bellevue.

Section 4. All information necessary to establish and process water service customer billings will be exchanged between Redmond and Bellevue in a timely manner to facilitate a smooth transition in customer billings.

Section 5. In the event of delinquent water service customer accounts owed to Redmond, Bellevue will assume responsibility for collecting the delinquent funds according to their established regulations for existing water service customers and will reimburse Redmond for the full amount owed upon receipt of the delinquent funds from the water service customers.

Section 6. The Kimura Nursery site at the southeast corner of Northeast 40th and Bellevue-Redmond Road, and designated on Exhibit A, will continue to be served by Redmond until water service from Bellevue becomes available.

Section 7. On the effective date of this agreement the water service agreements between Redmond and Bellevue for the Plat of Devon Ridge, the Plat of Redwood and the Plat of Wetherburn Division 2, all entered into on the 15th day of October, 1985, shall be terminated.

Section 8. With the exception of the facilities designated in Exhibit A to be transferred to Bellevue, neither party shall by virtue of this agreement acquire any proprietary or governmental interest in the water system of the other party. Each party shall be solely

responsible for the operation and maintenance of its own system of water distribution and shall indemnify, defend and hold harmless the other party from and against any claim for damage, real or imaginary, made by a third party, and alleging negligence or misfeasance in the operation or maintenance of such system, or in the acts of omissions of its own officers or employees.

Section 9. This interlocal agreement shall become effective upon authorized signature of both parties and shall remain in effect in perpetuity or until terminated or amended by written agreement of both parties.

Section 10. This interlocal agreement shall be administered jointly by the Public Works Director or designee of each respective party.

Section 11. A copy of this interlocal agreement shall be filed with the City Clerk of each respective city, the County Auditor and the Secretary of State.

Section 12. This writing embodies the entire agreement of the parties. There are no promises, terms, conditions, or obligations other than those contained herein.

By Doreen Marchione Date 10/13/86
CITY OF REDMOND

Approved as to form:

Date 10/9/86
CITY ATTORNEY FOR CITY OF REDMOND

By Pam Bessonnette Date 10/31/86
CITY OF BELLEVUE

4121m

Approved as to form:

CITY ATTORNEY FOR CITY OF BELLEVUE

Date 10-18-86

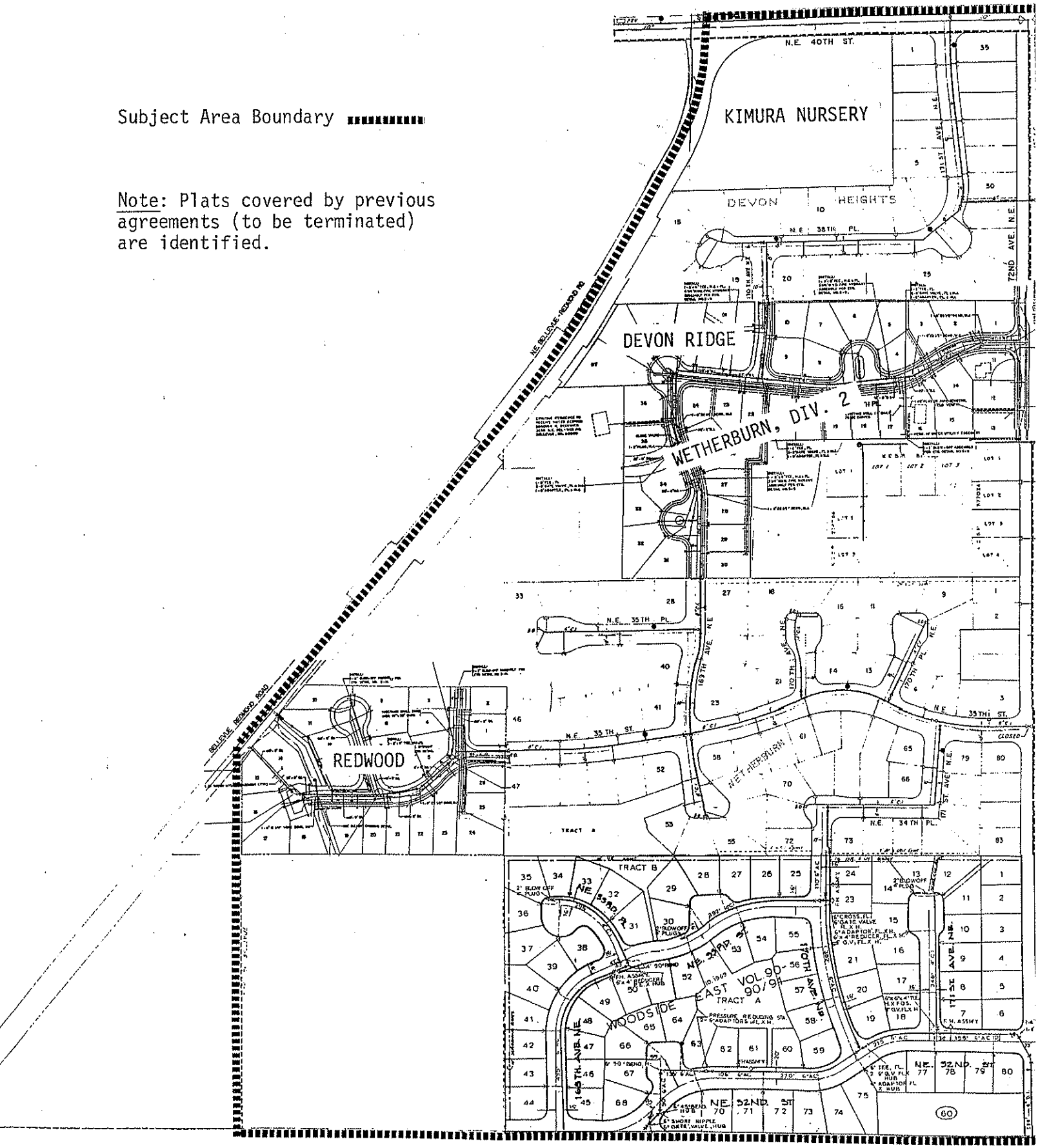
4121m

EXHIBIT A

Water Service Transfer Agreement
Ardmore East Annexation Area

Subject Area Boundary

Note: Plats covered by previous agreements (to be terminated) are identified.



RECEIVED THIS DAY

JAN 7 10 55 AM '86
BY THE DIVISION OF
RECORDS & ELECTIONS
KING COUNTY

ORIGINAL

FILED NO. 10699
CITY OF BELLEVUE
DATE 10-14-85
CITY CLERK Renee O'Connell
Rec. 4636

8601070516

WATER SERVICE AGREEMENT

PLAT OF DEVON RIDGE

This agreement made and entered into this 15th day of October, 1985, by and between the City of Redmond, a municipal corporation of the State of Washington, hereinafter referred to as "Redmond" and the City of Bellevue, a municipal corporation of the State of Washington, hereinafter referred to as "Bellevue",

W I T N E S S E T H :

WHEREAS, Redmond and Bellevue are authorized by Chapter 39.34 RCW, the Interlocal Cooperation Act, to enter into cooperative agreements; and

WHEREAS, the owner of subject area of the Plat of Devon Ridge, located in the Northwest Quarter of Section 24, Township 25 North, Range 5 East, W.M., described and designated on Exhibit "A" (attached hereto and by this reference incorporated herein) has signed a pre-annexation agreement and is not presently connected to the Bellevue water system because the existing Bellevue water system is not directly available for connection in the subject area, and

86/01/07 #0516 A
RECD F 10.00
CASH/SL ***10.00
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8601070516

WHEREAS, the Redmond water service area and its water system lie adjacent to the subject area and the water system within the subject plat can be conveniently connected into the Redmond water system facility at locations as described and designated on Exhibit "A", and

WHEREAS, both parties desire wherever possible and convenient to mutually assist one another,

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it is hereby agreed as follows:

1. Purpose. The purpose of this agreement is to provide water service by Redmond to the plat of Devon Ridge in the City of Bellevue subject to the conditions stated herein.

2. Connections. Redmond agrees to allow and to accept the necessary connections as established by developer extension agreements and to supply water service to subject plat at connection points A and B as shown on attached Exhibit "A". Connection Point A, on the north side of the plat, is on 170th Ave. N.E. at the southern edge of the plat of Devon Heights. Connection Point B, on the south side of the plat, is on 169th Ave. N.E. at the northern edge of the plat of Wetherburn, Div. 2.

These connections will be required during construction of the water system of Wetherburn, Div. 2, and will therefore be in place when Devon Ridge develops.

3. Construction Maintenance and Repair Cost. No part of the cost of construction of said water service facilities within the plat of Devon Ridge, nor any of said systems future maintenance or repair, shall be borne by Redmond. Bellevue shall bear all costs of said water service connections and bear the risk of loss or destruction of said water service connections as provided by Developer Extension Agreements with customers within subject area.

4. Customer Billing. It is understood and agreed that all properties within the subject area shall be customers of Bellevue and shall be billed by Bellevue in accordance with its standard practices and rates.

5. Water Service Changes. It is understood and agreed that Bellevue reserves the right to plan, engineer, construct, maintain, operate, reconstruct, repair and replace the water systems and all appurtenances thereto within the subject plat of Devon Ridge; to finance the same upon such terms and conditions as may be reasonable and appropriate; to enter into Developer Extension Agreements or other agreements with respect to the water system within subject area.

6. Assignment and Termination. Either party shall have the right to assign this agreement or its rights or obligations hereunder, in whole or in part, to any entity without the prior written consent of the other party, and neither shall have the right to terminate its obligations hereunder by dissolution or otherwise.

8601070516

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7. Water System Property. Neither party shall by virtue of this agreement acquire any proprietory or governmental interest in the water system or water line of the other party. Each party shall be solely responsible for the operation and maintenance of its own system of water distribution and shall save the other party harmless from any claim for damage, real or imaginary, made by a third party, and alleging negligence or misfeasance in the operation or maintenance of the other party's system, or in the acts of omissions of its own officers or employees.

8. Effective Date and Duration. This interlocal agreement shall become effective upon authorized signature of both parties and shall remain in effect in perpetuity or until terminated or amended pursuant to the terms of this interlocal agreement.

9. Joint Board. Pursuant to RCW 39.34.030 (4) (a), a joint board comprised of the Public Works Director or designee of each respective party shall be responsible for administering this agreement.

10. A copy of this interlocal agreement shall be filed with the City Clerk of each respective City, the County Auditor and the Secretary of State.

11. Entirety. This writing embodies the entire agreement of the parties. There are no promises, terms, conditions, or obligations other than those contained herein. This agreement may be amended only by written instrument signed by both parties.

IN WITNESS WHEREOF the parties have hereunto set their hands and seals.

By Doreen Marchione — Date 10/30/85
CITY OF REDMOND

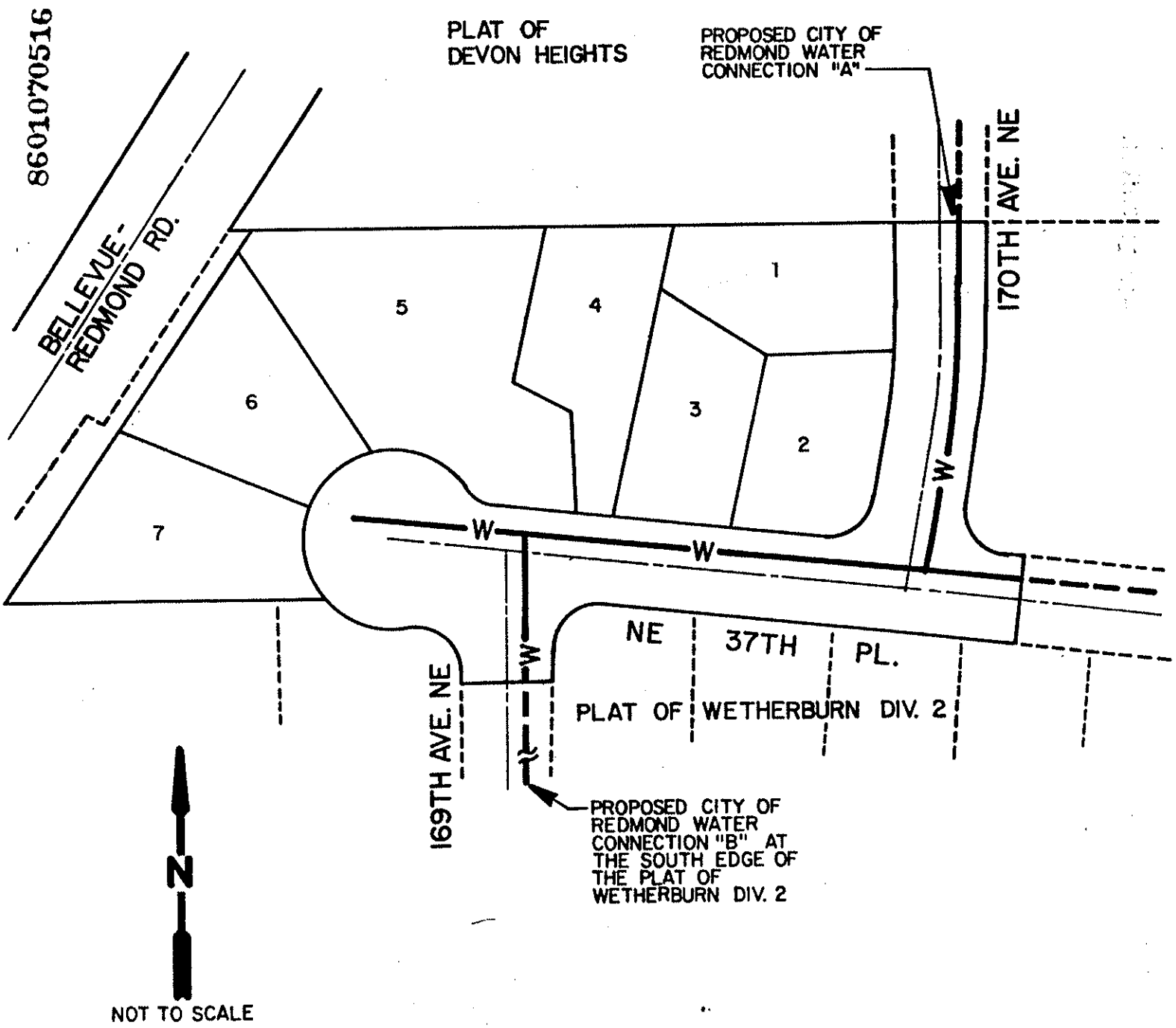
Approved as to form:
Gary C. Martin — Date 10/30/85
City Attorney for
CITY OF REDMOND

By Robert Stewart — Date 10/21/85
CITY OF BELLEVUE

Approved as to form:
[illegible] — Date 10-1-85
City Attorney for
CITY OF BELLEVUE

8601070516

EXHIBIT "A"
PLAT OF DEVON RIDGE
WATER SERVICE AREA



Amended

ORIGINAL

RECEIVED THIS DAY

FILED NO. 10701
CITY OF BELLEVUE
DATE 10/15/85
CITY CLERK Connie O'Connell
Res. 4634

JAN 7 10 56 AM '86
BY THE DIVISION OF RECORDS & ELECTIONS KING COUNTY

WATER SERVICE AGREEMENT
PLAT OF REDWOOD

8601070515

This agreement made and entered into this 15th day of October, 1985, by and between the City of Redmond, a municipal corporation of the State of Washington, hereinafter referred to as "Redmond" and the City of Bellevue, a municipal corporation of the State of Washington, hereinafter referred to as "Bellevue",

W I T N E S S E T H :

WHEREAS, Redmond and Bellevue are authorized by Chapter 39.34 RCW, the Interlocal Cooperation Act, to enter into cooperative agreements; and

WHEREAS, the subject area of the Plat of Redwood located in the Northwest Quarter of Section 24, Township 25 North, Range 5 East, W.M., described and designated on Exhibit "A" (attached hereto and by this reference incorporated herein) has signed a pre-annexation agreement and is not presently connected to the Bellevue water system because the existing Bellevue water system is not directly available for connection in the subject area, and

WHEREAS, the Redmond water service area and its water system lie adjacent to the subject area and the water system within the subject plat can be conveniently connected into the Redmond water system facility at locations as described and designated on Exhibit "A", and

WHEREAS, both parties desire wherever possible and convenient to mutually assist one another,

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it is hereby agreed as follows:

86/01/07 #0515 A
RECD F 9.00
CASHSL ****9.00
55

8601070515

1. Purpose. The purpose of this agreement is to provide water service by Redmond to the plat of Redwood, in the City of Bellevue subject to the conditions stated herein.

2. Connections. Redmond agrees to allow and to accept the necessary connections as established by developer extension agreements and to supply water service to subject plat at connection points A and B as shown on attached Exhibit "A". Connection point A, on the east side of the plat, is on N.E. 35th Street at the western edge of the plat of Wetherburn, Div. 1. Connection point B, on the west side of the plat, is a future connection to Bel-Red Road. The connection will be made when the City of Redmond constructs the water main extension along Bel-Red Road.

3. Construction Maintenance and Repair Cost. No part of the cost of construction of said water service facilities within the plat of Redwood nor any of said systems future maintenance or repair, shall be borne by Redmond. Bellevue shall bear all costs of said water service connections and bear the risk of loss or destruction of said water service connections as provided by Developer Extension Agreements with customers within the subject area.

4. Customer Billing. It is understood and agreed that all properties within the subject area shall be customers of Bellevue and shall be billed by Bellevue in accordance with its standard practices and rates.

5. Water Service Changes. It is understood and agreed that Bellevue reserves the right to plan, engineer, construct, maintain, operate, reconstruct, repair and replace the water systems and all appurtenances thereto within the subject plat of Redwood; to finance the same upon such terms and conditions as may be reasonable and appropriate; to enter into Developer Extension Agreements or other agreements with respect to the water system within subject area.

8601070515

6. Assignment and Termination. Either party shall have the right to assign this agreement or its rights or obligations hereunder, in whole or in part, to any entity without the prior written consent of the other party, and neither shall have the right to terminate its obligations hereunder by dissolution or otherwise.

7. Water System Property. Neither party shall by virtue of this agreement acquire any proprietory or governmental interest in the water system or water line of the other party. Each party shall be solely responsible for the operation and maintenance of its own system of water distribution and shall save the other party harmless from any claim for damage, real or imaginary, made by a third party, and alleging negligence or misfeasance in the operation or maintenance of the other party's system, or in the acts of omissions of its own officers or employees.

8. Effective Date and Duration. This interlocal agreement shall become effective upon authorized signature of both parties and shall remain in effect in perpetuity or until terminated or amended pursuant to the terms of this interlocal agreement.

9. Joint Board. Pursuant to RCW 39.34.030 (4) (a), a joint board comprised of the Public Works Director or designee of each respective party shall be responsible for administering this agreement.

10. A copy of this interlocal agreement shall be filed with the City Clerk of each respective City, the County Auditor and the Secretary of State.

11. Entirety. This writing embodies the entire agreement of the parties. There are no promises, terms, conditions, or obligations other than those contained herein. This agreement may be amended only by written instrument signed by both parties.

8601070515

IN WITNESS WHEREOF the paties have hereunto set their hands and seals.

By Doreen Marchione
CITY OF REDMOND

Date 10/30/85

Approved as to form:

City Attorney for
CITY OF REDMOND

Date 10/30/85

By
CITY OF BELLEVUE

Date 10/21/85

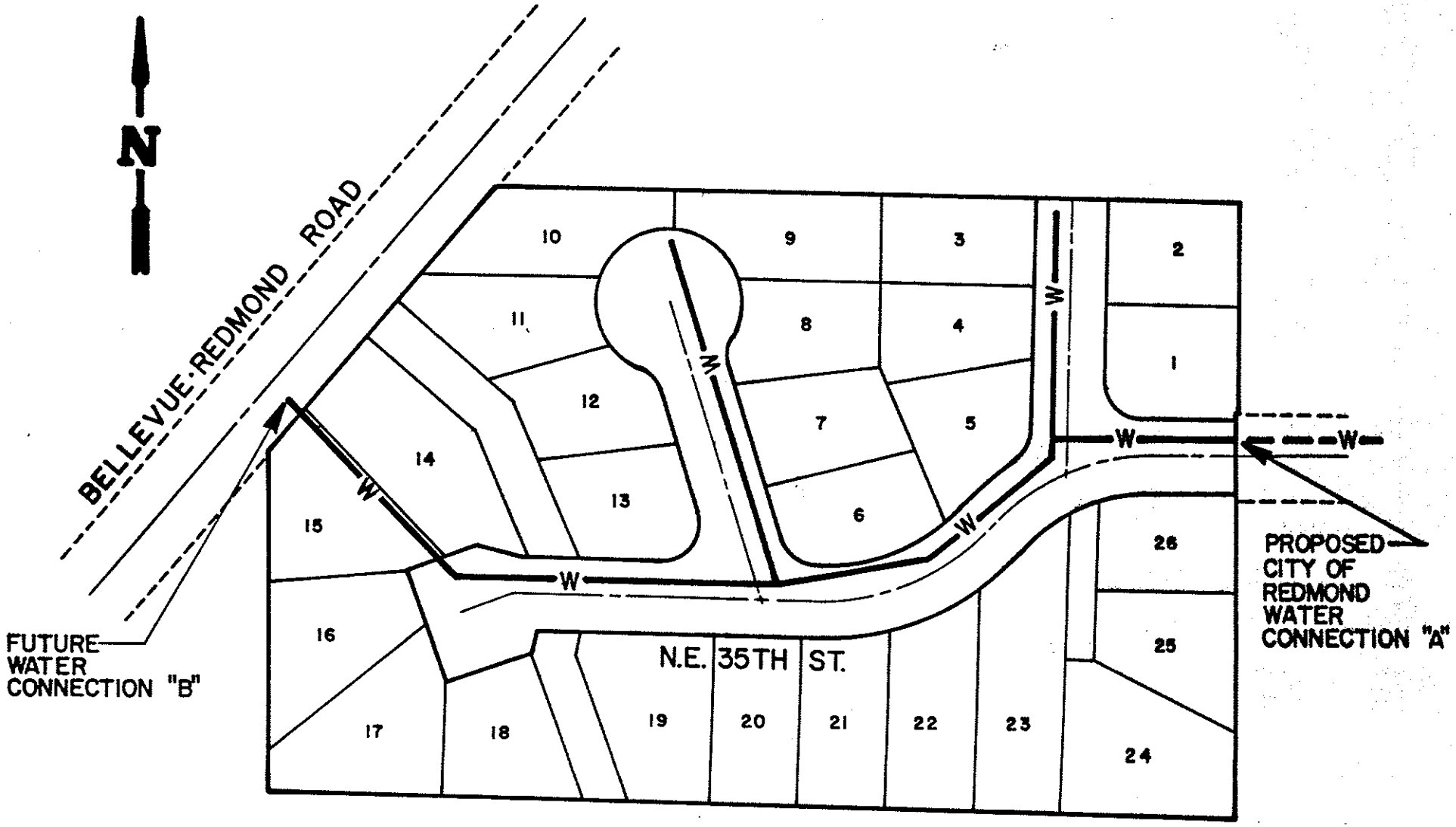
Approved as to form:

City Attorney for
CITY OF BELLEVUE

Date 10/1/85

8601070515

EXHIBIT "A"
REDWOOD
WATER SERVICE AREA



RECEIVED THIS DAY

JAN 7 10 56 AM '86

BY THE DIVISION OF RECORDS & ELECTIONS KING COUNTY

ORIGINAL

FILED NO. 10700
CITY OF BELLEVUE
DATE 10-15-85
CITY CLERK Jeanie O'Connell
Res. 4635

8601070514

WATER SERVICE AGREEMENT

PLAT OF WETHERBURN, DIV. 2

This agreement made and entered into this 15th day of October, 1985, by and between the City of Redmond, a municipal corporation of the State of Washington, hereinafter referred to as "Redmond" and the City of Bellevue, a municipal corporation of the State of Washington, hereinafter referred to as "Bellevue",

W I T N E S S E T H :

WHEREAS, Redmond and Bellevue are authorized by Chapter 39.34 RCW, the Interlocal Cooperation Act, to enter into cooperative agreements; and

WHEREAS, the owner of subject area of the Plat of Wetherburn, Div. 2, located in the Northwest Quarter of Section 24, Township 25 North, Range 5 East, W.M., described and designated on Exhibit "A" (attached hereto and by this reference incorporated herein) has signed a pre-annexation agreement and is not presently connected to the Bellevue water system because the existing Bellevue water system is not directly available for connection in the subject area, and

86/01/07 #0514 A
RECD F 10.00
CASHSL ***10.00
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8601070514

WHEREAS, the Redmond water service area and its water system lie adjacent to the subject area and the water system within the subject plat can be conveniently connected into the Redmond water system facility at locations as described and designated on Exhibit "A", and

WHEREAS, both parties desire wherever possible and convenient to mutually assist one another,

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it is hereby agreed as follows:

1. Purpose. The purpose of this agreement is to provide water service by Redmond to the plat of Wetherburn, Div. 2 in the City of Bellevue subject to the conditions stated herein.

2. Connections. Redmond agrees to allow and to accept the necessary connections as established by developer extension agreements and to supply water service to subject plat at connection points A and B as shown on attached Exhibit "A". Connection Point A, on the north side of the plat, is on 170th Ave. N.E. at the southern edge of the plat of Devon Heights. Connection Point B, on the south side of the plat, is on 169th Ave. N.E. at the northern edge of the plat of Wetherburn, Div. 1.

The watermain will pass through the proposed plat of Devon Ridge, and will serve Devon Ridge through a separate agreement.

3. Construction Maintenance and Repair Cost. No part of the cost of construction of said water service facilities within the plat of Wetherburn, Div. 2, nor any of said systems future maintenance or repair, shall be borne by Redmond. Bellevue shall bear all costs of said water service connections and bear the risk of loss or destruction of said water service connections as provided by Developer Extension Agreements with customers within subject area.

4. Customer Billing. It is understood and agreed that all properties within the subject area shall be customers of Bellevue and shall be billed by Bellevue in accordance with its standard practices and rates.

5. Water Service Changes. It is understood and agreed that Bellevue reserves the right to plan, engineer, construct, maintain, operate, reconstruct, repair and replace the water systems and all appurtenances thereto within the subject plat of Wetherburn, Div. 2; to finance the same upon such terms and conditions as may be reasonable and appropriate; to enter into Developer Extension Agreements or other agreements with respect to the water system within subject area.

8601070514

6. Assignment and Termination. Either party shall have the right to assign this agreement or its rights or obligations hereunder, in whole or in part, to any entity without the prior written consent of the other party, and neither shall have the right to terminate its obligations hereunder by dissolution or otherwise.

7. Water System Property. Neither party shall by virtue of this agreement acquire any proprietory or governmental interest in the water system or water line of the other party. Each party shall be solely responsible for the operation and maintenance of its own system of water distribution and shall save the other party harmless from any claim for damage, real or imaginary, made by a third party, and alleging negligence or misfeasance in the operation or maintenance of the other party's system, or in the acts of omissions of its own officers or employees.

8. Effective Date and Duration. This interlocal agreement shall become effective upon authorized signature of both parties and shall remain in effect in perpetuity or until terminated or amended pursuant to the terms of this interlocal agreement.

9. Joint Board. Pursuant to RCW 39.34.030 (4) (a), a joint board comprised of the Public Works Director or designee of each respective party shall be responsible for administering this agreement.

10. A copy of this interlocal agreement shall be filed with the City Clerk of each respective City, the County Auditor and the Secretary of State.

8601070514

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11. Entirety. This writing embodies the entire agreement of the parties. There are no promises, terms, conditions, or obligations other than those contained herein. This agreement may be amended only by written instrument signed by both parties.

IN WITNESS WHEREOF the parties have hereunto set their hands and seals.

By Doreen Marchione Date 10/30/85
CITY OF REDMOND

Approved as to form:

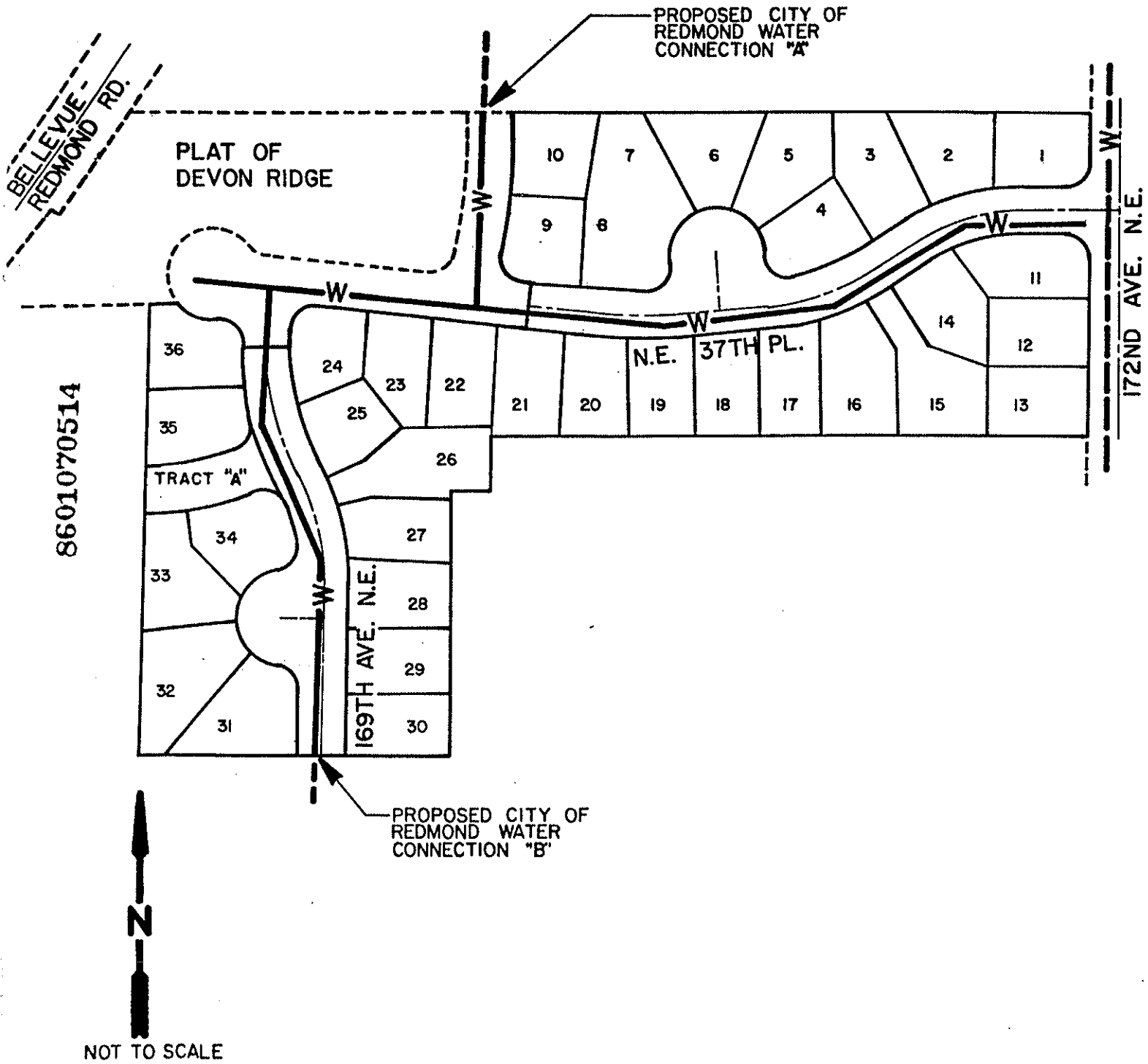
Terry C. Martin Date 10/30/85
City Attorney for
CITY OF REDMOND

By [signature] Date 10-21-85
CITY OF BELLEVUE

Approved as to form:

[signature] Date 10-1-85
City Attorney for
CITY OF BELLEVUE

EXHIBIT "A"
WETHERBURN DIV. NO.2
WATER SERVICE AREA



FILED NO. 7367
CITY OF BELLEVUE
DATE 11-20-81
CITY CLERK [illegible]
Res. #3929

WATER SERVICE AGREEMENT
PLAT OF WETHERFIELD NORTH
CITY OF REDMOND AND CITY OF BELLEVUE

THIS AGREEMENT is made and executed as of the 15th day of 11, 1981 by and between the CITY OF BELLEVUE, a municpal corporation of the State of Washington, herein called "Bellevue", and the City of Redmond, a municipal corporation of the State of Washington, herein called "Redmond".

WHEREAS, Redmond has experienced difficulties in furnishing a portion of Redmond known as the Plat of Wetherfield North with adequate water service due to low pressures and other engineering problems in developing a sufficient supply and force of water to said area; and

WHEREAS, Bellevue can readily serve the area with adequate pressure and supply of water from its nearby watermains; and

WHEREAS, it is in the public interest that the parties hereto enter into an agreement, whereby Bellevue will undertake to furnish a public water supply and service to said portion of Redmond now without water service;

NOW, THEREFORE, in consideration of the mutual convenants contained herein, IT IS HEREBY AGREED AS FOLLOWS:

1. Water Service by Bellevue. Bellevue agrees to make the necessary connections and to furnish water and a public water service, comparable to service now furnished throughout other parts of Bellevue, to said portion of Redmond known as the Plat of Wetherfield North Lots 9 thru 32 as shown on the attached Exhibit "A". For the purpose of this agreement, such area shall be designated herein as subject "water service area."

EXECUTED COPY

2. Cooperation in Making Connections. Redmond agrees to cooperate with and to assist Bellevue in making the necessary connections to establish service by Bellevue to subject water service area.

3. Customer Billing - Water Service Charges. It is understood and agreed that all users of water within subject water service area shall be customers of Bellevue during the term of this agreement and shall be billed by Bellevue in accordance with its standard practices and rates, which rates shall be uniform for the same class of customers as charged within Bellevue. Revenues collected by Bellevue shall be retained by it as "water service charges" for furnishing water service to subject water service area and in lieu of any other charge by Redmond for providing such service. All rules, regulations and orders of Bellevue pertaining to its water system and use thereof shall apply within subject water service area, and all persons, firms and corporations using water furnished by Bellevue shall be subject thereto. In addition, Bellevue shall collect and remit to Redmond any utility taxes levied by Redmond on the sale of water in the city.

4. Title to Water System. Title to all water system improvements and appurtenances within subject water service area shall be and remain in Redmond, it being understood that most of the improvements have been developer installed and are included in the dedication of platted streets to Redmond.

5. Maintenance and Operation - Major Repairs. Bellevue shall maintain and operate the water system within the water service area and keep the same in good repair and operating order as it does other parts of its water system within Bellevue. All routine maintenance and operation costs shall be paid and borne by Bellevue.

6. Work in Street Right-of-Way. Bellevue shall be entitled to undertake maintenance work and to install customer service connections within the street right-of-way without the necessity of a franchise therefore or payment of street permit fee to Redmond; provided, that prior to undertaking such work or installation, Bellevue shall notify the Public Works Department of Redmond of the same.

7. Water for Fire Protection. Water may be used, to the extent available, for the purpose of fire protection by Redmond and applicable Fire Protection Districts and Fire Departments and for routine checking of fire hydrants wherever installed. It is expressly understood that Bellevue does not undertake any greater legal duty to furnish water for fire protection than Bellevue has to its residents presently served, nor than has Redmond to residents on its municipal water system.

8. Books and Records. Bellevue agrees to keep and maintain complete records of water users and to furnish the same to Redmond upon the termination of this agreement as provided in paragraph 10.

9. Liability. As between the parties, Bellevue assumes all liability for damages or injury to persons or property that may result or be claimed by reason of the operation of the water system by Bellevue within subject water service area during the term of this agreement.

10. Term of Agreement - Termination. This agreement shall be in force and effect and binding upon the parties hereto upon the execution of the agreement as of the date above inserted, and shall continue in full force and effect thereafter until terminated by mutual agreement of the parties, or until such time as Redmond is able to provide adequate water

service to the area covered by this agreement.

IN WITNESS WHEREOF the parties have hereunto set their hands and seals and each warrant that they have adopted ordinances and/or resolutions, respectively, authorizing the execution of this agreement and the undersigned parties warrant their authority on behalf of the parties to this agreement to execute the same for and on behalf of the respective parties.

CITY OF REDMOND

By Christine T. Himes
Christine T. Himes, Mayor

Date 10-29-81

Attested:

By: Doris A. Delaille, Dep.
for Paul Kusakabe, City Clerk

CITY OF BELLEVUE

By [illegible]

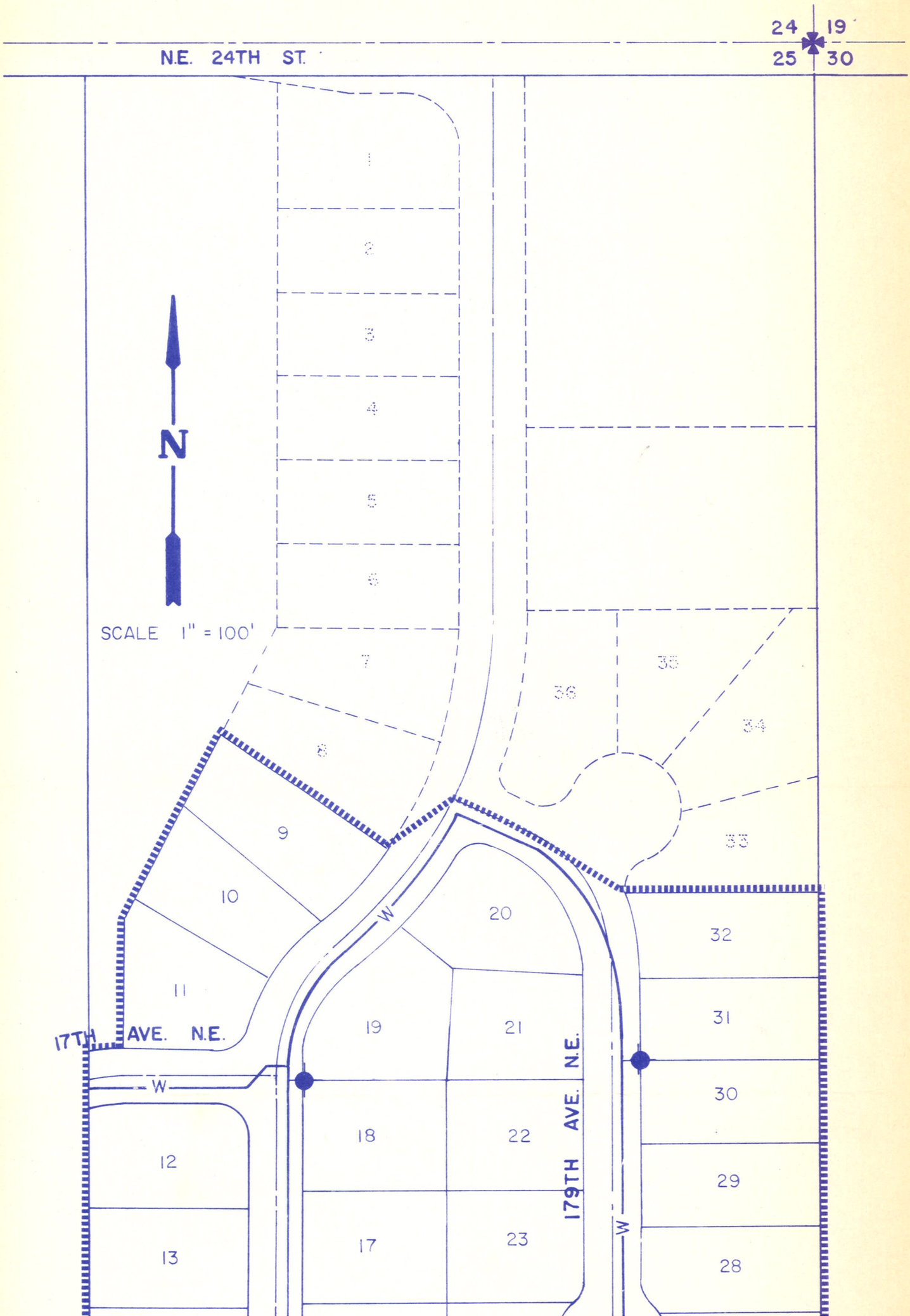
Date 11-15-81

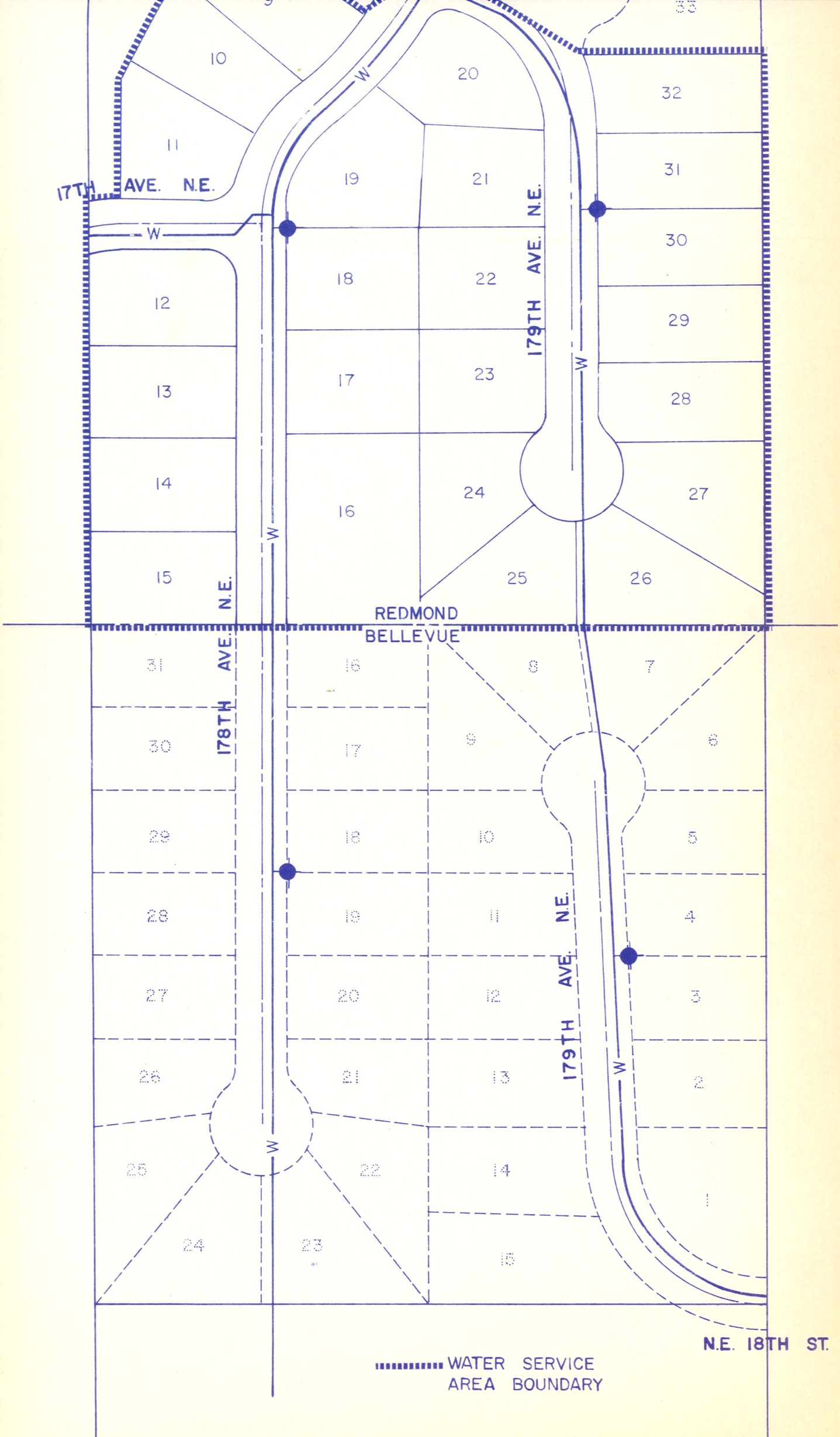
Execution of this Water Agreement approved on behalf of the City of Redmond by resolution of its City Council, adopted the _____ day of _____, 1981, Resolution No. _____ and approved on behalf of the City of Bellevue by Resolution of its City Council, adopted the 17th day of November, 1981, Resolution No. 3929.

Approved as to form:

William C. Frave
Assistant City Attorney

EXHIBIT "A"
WETHERSFIELD NORTH
WATER SERVICE/ FIRE PROTECTION AREA
LOTS 9 THRU 32




17TH AVE. N.E.
178TH AVE. N.E.
179TH AVE. N.E.
REDMOND
BELLEVUE
N.E. 18TH ST.
WATER SERVICE
AREA BOUNDARY

207

WATER SERVICE AGREEMENT

CITY OF REDMOND and CITY OF BELLEVUE

ARGYLE NO3 AND CASTLEWOOD

THIS AGREEMENT is made and executed as of the 1 day of May, 1973 by and between the CITY OF REDMOND, a municipal corporation of the State of Washington, herein called "City", and the City of Bellevue ~~Utilities Department~~, a municipal corporation of the State of Washington, herein called "City of Bellevue".

WHEREAS, the City has experienced difficulties in furnishing a portion of the City with adequate water service due to low pressures and other engineering problems in developing a sufficient supply and force of water such area; and

WHEREAS, the City of Bellevue can readily serve the area with adequate pressure and supply of water from its nearby watermains; and

WHEREAS, it is in the public interest that the parties hereto enter into an agreement, whereby the City of Bellevue will undertake to furnish a public water supply and service to the portion of the City now without an adequate water service;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, IT IS HEREBY AGREED AS FOLLOWS:

1. Water Service by City of Bellevue. The City of Bellevue agrees to make the necessary connections and to furnish water and a public water service, comparable to service now furnished throughout other parts of the City of Bellevue, to that portion of the City of Redmond which is described on the attached Exhibit A and is delineated upon the attached map designated Exhibit B, which area is primarily residential. For the purpose of this agreement, such area shall be designated herein as "water service area."

2. Cooperation in Making Connections. The City agrees to cooperate with and to assist the City of Bellevue in making the necessary connections to establish service by the City of Bellevue to the water service area.

3. Customer Billing - Water Service Charges. It is understood and agreed that all users of water within the water service area shall be customers of the City of Bellevue during the term of this agrement and shall be billed by the City of Bellevue in accordance with its standard practices and rates, which rates shall be uniform for the same class of customers as charged within the City of Bellevue. Revenues collected by the City of Bellevue shall be retained by it as "water service charges" for furnishing water service to water service area and in lieu of any other charge to the City of Redmond for providing such service. All rules, regulations and orders of the City of Bellevue pertaining to its water system and use thereof shall apply within the water service area, and all persons, firms and corporations using water furnished by the City of Bellevue shall be subject thereto.

4. Title to Water System. Title to all water system improvements and appurtenances within the water service area shall be and remain in the City of Redmond, it being understood that most of the improvements have been developer-installed and are included in the dedication of platted streets to the City.

5. Maintenance and Operation - Major Repairs. The City of Bellevue shall maintain and operate the water system within the water service area and keep the same in good repair and operating order as it does other parts of its water system within the City of Bellevue. All routine maintenance and operation costs shall be paid and borne by the City of Bellevue and the City of Redmond shall be responsible for major repairs to the watermains, lines and appurtenances. "Major repair" shall mean those repairs where the cost thereof exceeds the sum of $ 250.00.

6. Work in Street Right-of-Way. The City of Bellevue shall be entitled to undertake maintenance work and to install customer service connections within the street right-of-way without the necessity of a franchise therefore or payment of street permit fee to the City of Redmond; provided, that prior to undertaking such work or installation, the City of Bellevue shall notify the Public Works Department of the City of Redmond of the same.

7. Water for Fire Protection. Water may be used, to the extend available, for the purpose of fire protection by the City of Redmond and applicable Fire Protection Districts and Fire Departments and for routine checking of fire hydrants wherever installed. It is expressly understood that the City of Bellevue does not undertake any greater legal duty to furnish water for fire protection thant the City of Bellevue has to its residents presently served, nor than has the City of Redmond to residents on its municipal water system.

8. Books and Records. City of Bellevue agrees to keep and maintain complete records of water users and to furnish the same to the City of Redmond upon the termination of this agreement as provided in paragraph 10.

9. Liability. As between the parties, the City of Bellevue assumes all liability for damages or injury to persons or property that may result or be claimed by reason of the operation of the water system by the City of Bellevue within the water service area during the term of this agreement.

10. Term of Agreement - Termination. This agreement shall be in force and effect and binding upon the parties hereto upon the execution of the agreement as of the date above inserted, and shall continue in full force and effect thereafter

10. until terminated by either party upon written notice to the other party one (1) year prior to the effective date of termination, unless sooner terminated by mutual agreement.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first above written.

CITY OF BELLEVUE UTILITIES DEPARTMENT

By L. Joe Miller

By John Tennant

CITY OF REDMOND

BY Selwyn L. Young, Mayor

BY Eleanor J. Hayden, City Clerk

APPROVED AS TO FORM:
Attorney
City of Redmond, Washington

STATE OF WASHINGTON,)
: ss
COUNTYOF KING)

On this 16th day of April, 1973, before me personally appeared L. Joe Miller and John Tennant, to me known to be the City Manager AND Utilities Director respectively, of the City of Bellevue ~~Utilities Department~~, a municipal corporation, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said Municipality, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said Municipality.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the date and year first above written.

Notary Public in and for the State of Washington, residing at Bellevue

STATE OF WASHINGTON)
: ss
COUNTY OF KING)

On this 1st day of May, 1973, before me personally appeared Selwyn L. Young and Eleanor J. Hayden, to me known to be Mayor and City Clerk respectively, of the City of Redmond, Washington, a municipal corporation, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said Municipality, for the uses and purposes therein mentions, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said Municipality.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Charlotte A. Turtainen
Notary public in and for the State of Washington, residing at Kirkland

L.J.E

CONTRACT

THIS CONTRACT is dated and made as of the 7th day of November, 1972, between the CITY OF BELLEVUE, a municipal corporation, (hereinafter called the "City") under authority of Resolution No. 2040, WATER DISTRICT NO. 99, King County, Washington, a municipal corporation (hereinafter called the "District"), under authority of Resolution No. 186, and CITY OF REDMOND (hereinafter called "Redmond"), under authority of Resolution No. 308.

WHEREAS, the District was formed and now exists for the special purpose of providing water supply and distribution service for certain areas within King County, and more than 60% of the territory of the District now lies within the City, while approximately 15% of the District's territory now lies within the City of Redmond; and

WHEREAS, the District has financed and constructed a water distribution system sufficient to serve substantially all of the developed portions of the District and planned for the eventual addition of water facilities to serve all presently undeveloped portions of the District; and

WHEREAS, the parties recognize that eventually the operation of the water supply and distribution system of the District will be assumed by the City; and

WHEREAS, to accomplish this purpose it is necessary that a contract be entered into fixing the rights and duties of the parties, protecting the legitimate interests of bondholders and creditors of the District, the users of the water facilities of the District, the City, and the residents and property owners of each of the parties to this contract; and

WHEREAS, it is the desire of all parties hereto to enter into this contract pursuant to Chapter 95, Laws of 1971 (1st Ex. Sess.), to provide for the maintenance and operation of the water facilities of the District, to provide for the financing and construction of new water facilities to serve certain unserved portions of the District and the City, to provide for the transfer of all personal and real property, funds and assets of the District to the City, with the exception of the transfer to the City of Redmond as provided in Paragraph 13 hereof, and to provide for the eventual dissolution of the District after a period of continued existence only for the purpose of winding up and settling the affairs of the District, until an order of dissolution is entered by the Superior Court of the State of Washington for King County;

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Definition of Terms. Wherever the following terms shall be used in this agreement they shall have the following meaning unless otherwise specifically indicated in the context in which they appear:

(a) "District" means Water District No. 99, King County, Washington, a municipal corporation, located in King County, Washington, acting by and through its Board of Commissioners unless such authority shall be lawfully delegated to other officers or unless other officers are expressly indicated herein.

(b) "City" means the City of Bellevue, a municipal corporation, located in King County, Washington, acting by and through its City Council unless such authority shall be lawfully delegated to other officers or unless other officers are expressly indicated herein.

(c) "Service Charge" or "Water Service Charge" means a monthly or other periodic charge for the purchase of water for domestic and other uses.

(d) "Water Service Permit Fee" means a charge for the inspection of private water service lines to be connected to public water facilities.

(e) "Meter Charge" means a charge for the installation of a water meter at the service connection.

(f) "Connection Charge" means an additional charge for the connection to public water facilities of properties not previously fully assessed for special benefits conferred by such water facilities.

(g) "Assessment" means charges levied in utility local improvement districts or local improvement districts for special benefits conferred by the construction of public water facilities and shall include interest and any penaltie thereon.

(h) "Water System" means all water supply and distribution facilities heretofore installed or acquired by the District or by the City, or hereafter installed or acquired by the District or by the City within the potential service area colored in red on Exhibit A, or hereafter added to such area, including all appurtenances to such facilities and all future additions and extensions thereo

(i) "City Water Utility" means all water facilities hereafter operate by the City, and may include a combined water and sewer utility, if the City shall

later combine its sanitary sewage system with its water utility, but, for the purpose of this contract, when reference is made to facilities, it shall only mean water facilities.

(j) "Actual Costs" means those costs of labor, parts, equipment, supplies, maintenance expenses, engineering costs and replacement costs directly attributable to District's water system and a proportionate amount only of the overhead and administrative costs of the City Water Utility as proportionate to the size, in the number of customers, of the District system as compared to the "Water System."

2. Ownership of Properties - Title - Transfer Date. Consistent with the laws of the State of Washington and pursuant to this agreement, all the right, title and interest of the District in and to all real property, franchises, easements, water lines, pumps, manholes, valves, fittings, appurtenances, all equipment and vehicles, and all personal property, cash, accounts receivable, investments and choses in action of all kinds which shall be in existence and on hand at the "Title Transfer Date" as hereinafter defined, including all additions thereto and extensions thereof hereafter acquired or constructed by the District shall be conveyed, transferred and quitclaimed by the District to the City, effective on the Title Transfer Date, subject to all of the provisions of this agreement. It is recognized that certain facilities of District located within the boundaries of the City of Redmond will be transferred to Redmond, as provided in paragraph 13 of this agreement. The City hereby agrees that until the Title Transfer Date the District shall have the right to use the water facilities of the City described on Exhibit A hereof on the terms and conditions hereinafter set forth

The City shall pay nothing to the District in exchange for the property which the City shall acquire hereunder and the District shall pay nothing to the City for the facilities which the District is permitted to use hereunder and the covenants of this agreement to be performed by the parties shall constitute good and sufficient consideration for the conveyances contemplated by this contract.

It is mutually agreed and recognized that any rights to such properties which the City may acquire pursuant to this contract shall remain subject to all presently outstanding indebtedness of the District, bonded or otherwise, shall be subject to the terms of the following resolutions of the District which are

incorporated herein by this reference:

Resolution No. 24
Resolution No. 41
Resolution No. 75
Resolution No. 83
Resolution No. 119

and shall be subject to all rights of the holders of revenue bonds of the District issued under those resolutions. The District will furnish certified copies of those resolutions to the City.

It is further agreed and recognized that the properties which the City shall acquire pursuant to this contract shall at all times be operated for the benefit of all persons now or hereafter residing within the District and subject to the rights of all owners of property now or hereafter located within the District, whether such residents or property be inside or outside the City. All use shall be subject to the statutes, regulations, ordinances, and resolutions of the City or District. In particular, but not by way of limitation, trunk or lateral water lines and other facilities now or hereafter located within the City which are used for the distribution of water to any property located within the Water District shall continue to be made available for such use. Users of such water shall pay reasonable nondiscriminatory fees and charges and comply with reasonable rules and regulations, all as provided in this contract.

It is further recognized and agreed that this contract is subject to the provisions of the outstanding agreements for water supply and distribution between the District and the City of Redmond, between the District and Water Districts Nos. 68, 81, and 97, between the District and the City of Seattle, and any presently outstanding agreements with any other municipal corporation or governmental agency.

The date on which title to all assets of the District shall be transferred to the City is January 1, 1973. Conveyance or transfer shall be made by quitclaim deed(s) and bill(s) of sale or such other documentation as may be required by the nature of the property or asset. The conveyance or transfer shall be in effect on or before January 1, 1973.

3. Transfer of Funds - Debt Service. City and District hereby authorize the King County Treasurer to pay over to the City of Bellevue, upon receipt therefo

at the earliest practicable date after January 1, 1973, all funds, including investments and the proceeds thereof, in the Maintenance and Construc Funds of King County Water District No. 99, less claims and warrants issued and then outstanding. All such monies and proceeds of securities shall be applied solely to the maintenance, operation repair, replacement or improvement of the Water System and shall not be diverted directly or indirectly to the General Fu or operations of the City.

The King County Treasurer shall further be authorized and directed to retain possession of all Bond Funds of King County Water District No. 99, and a funds and investments thereof, including the right and obligation to continue to collect assessments on outstanding utility local improvement district assessment rolls pledged to such Bond Funds. The King County Treasurer shall be furth authorized and directed, on and after January 1, 1973, to continue to pay the interest on and the principal of all outstanding revenue bonds of King County Water District No. 99, in accordance with the terms of said bonds. The Ci of Bellevue shall pay to the King County Treasurer the statutory fees provided for such services.

On and after the title transfer date, there shall be created and establi within the Department of Finance of the City of Bellevue a separate and distinct fund known as the Water District No. 99 Trust Fund. On and after January 1, 1973, the gross revenues from the District utility shall be paid into said fund and from said fund there shall be paid: First, the expenses of maintaining and operating said utility, and, secondly, such amounts as may be required to be transmitted to the King County Treasurer for deposit into the bond funds, to supplement the proceeds of utility local improvement district assessments collect by said treasurer, for payment of outstanding bond obligations of the District.

4. Fixing and Collecting Charges. Until the Title Transfer Date, the District shall continue its present Service Charges, Connection Charges, Water Service Permit Fees, Water Meter Charges, and water service extension contract payments for the District System. Enforcement of collection shall continue to be the responsibility of the District until the Title Transfer Date.

From and after the Title Transfer Date the City shall perform the function of fixing, billing, and collecting all monthly Service Charges, Water Service Perm

Fees, Connection Charges, and Water Meter Charges, and collection of water service extension contract payments, and other amounts due the District, and shall maintain all records for accounting purposes incidental thereto, Such charges shall be sufficient to pay all costs of maintenance and operation of the District System including costs of purchasing water from the City of Seattle and other sources, such other costs of operation as may be incurred, and such amounts as may, together with pledged assessments, be required to pay, secure the payment of, and provide covenanted coverage for, any revenue bonds of the District now or hereafter outstanding.

5. Assumption of District Obligations by the City. The City shall assume, effective on the Title Transfer Date and pay in accordance with their terms solely out of the earnings and revenue of City Water Utility and assessments pledged thereto all obligations of the District outstanding on the Title Transfer Date or thereafter incurred incident to this contract or in connection with winding up the affairs of the District, including but not limited to paying and securing payment of the principal of and interest on all of the District's then outstanding water revenue bonds in accordance with the terms thereof. Local improvement district and utility local improvement district assessments which have been levied by the District to secure the payment of such bonds shall continue to be collected by the King County Treasurer and applied to the payment of such bonds until all such bonds shall have been paid or have been fully provided for.

6. Obligation to Continue Service after Title Transfer Date. From and after the Title Transfer Date, the City shall operate and maintain the Water System as a City utility in the manner provided by law, subject to the following requirements of this contract.

(a) The City shall for the useful life of those facilities of the Water System which serve persons and properties located within the District but outside of the City make such facilities available to serve such persons and property, upon payment of reasonable Service Charges, Connection Charges, Water Service Permit Fees, and Water Meter Charges as fixed by the City from time to time consistent with the provisions hereof.

(b) The City shall provide water service to all portions of the District, whether inside or outside the City, equal in all respects to that provided to

residents of th[illegible] and the City shall fix S[illegible] charges at the same rate for the same class of service whether located within the City or outside the Ci The term "class of service" as used in this paragraph shall refer to classifica based on type of water use, i.e., single family residence, multiple residence, commercial, etc., but shall not include classification on geographical or jurisdictional bases.

(c) The City shall fix rates and charges sufficient to operate and maintain the Water System, pay, secure and provide coverage for revenue bonds and repair and replace the facilities of the system as required. However, the revenues of the Water System shall not at any time be applied by the City to th payment of the general expenses of City government not directly applicable to the construction, repair, replacement, administration, operation and maintenanc of the Water System. The City may, however, subject to the foregoing limitatio combine its sewer and water systems into a single utility if such combination shall be deemed desirable by the City. No rate increase may be made by the Cit without first securing a complete rate analysis by an independent firm of engine experienced in the development and operation of municipal public utilities. A copy of such rate analysis shall be furnished to each of the other parties to this contract and any interested citizen. The requirement that a rate analysis be made may be waived in writing by the parties to this contract at any time.

7. Bond Redemption Fund. From and after the Title Transfer Date, the existing Bond Redemption Fund for the outstanding revenue bonds of the District shall continue to be held by the County Treasurer and invested or applied to the payment of such bonds in accordance with written directions given from time to time by the City, until all of such bonds shall have been paid. The City shall make required deposits in such fund out of the earnings and revenue of the Water System. Upon payment or provision for payment of all of such bonds, any local improvement district and utility local improvement assessments thereafter collect by the King County Treasurer, shall be paid to the City quarterly and applied solely to the maintenance, operation, repair, replacement or improvement of the Water System. Segregations of assessments requested after the Title Transfer Date shall be approved by the City, and the County Treasurer is hereby authorized to honor segregation approvals received from the City.

8. Distric[illegible]icies and Responsibilities o[illegible] Commissioners. The parties contemplate that for a reasonable time after the Title Transfer Date and insofar as possible, the City will continue existing District policies for connection to the Water System and for the construction of extensions of the Water System and for the construction of extensions of the System by private developers in order to insure equitable treatment of the District's residents. Until the entr[illegible] of an appropriate order of dissolution by the Superior Court of the State of Washin[illegible]ton for King County, the District shall continue its corporate existence for the pu[illegible]pose of winding up District's affairs, and the Commissioners of the District shall continue to function, but following the Title Transfer Date, the Commissioners' responsibility shall be limited to the enforcement of the provisions of this contrac[illegible] and to serve as an advisory commission to the City in the continuance of the Distric[illegible] policies, and all such responsibility of the Commissioners shall cease upon dissolut[illegible] of the District. During that same time the City shall assume all duties, obligation[illegible] and liabilities of District and its Commissioners and after the date of execution of this agreement shall hold all Commissioners harmless, including all costs of attorne[illegible] fees incurred for any claim or liability arising directly or indirectly from Distric[illegible] operation or failure to operate. District warrants to City that at the date of execution of this agreement, there are no outstanding claims against District except as listed on Exhibit B. As long as the Board of Water Commissioners continues to function in any capacity, the City shall provide and maintain a convenient and adequate meeting place for the Board.

9. District Employees. The City shall offer employment to each person presently employed on a full-time basis by the District in a position of substantially equal or greater responsibility and compensation than that now held by such District employee and all vacation and pension rights of such employee, including any accruals thereof, shall be preserved. Such offer and all terms thereof shall be made before the transfer to the City of title to District's assets. District shall have the right to enforce this paragraph as a condition precedent to such transfer.

10. Unincorporated Areas. The unincorporated area lying generally north and west of the Bellevue-Redmond Road, east of 156th Avenue N.E. and south of N.E. 40th Street is within District boundaries and after the

Title Transfer Date will be under City operation and management.

In the event the above-described unincorporated area should be annexed by the City of Redmond, then the cities of Redmond and Bellevue shall negotiate an agreement concerning the provision of water service to the area and the terms therefor, as between the two cities. Said agreement may designate the main on 156th Avenue NE. between NE 40th Street and the Bellevue-Redmond Road as a joint-use main and may assign to the City of Redmond the responsibility for maintenance, operation and replacement of said main. The agreement shall also provide for the installation of any new joint-use mains that may be required to serve said area.

11. Water Mains - Joint Use. The existing water mains on 148th Avenue NE between NE 18th Place, at the southernmost portion, and NE 50th Street, at the northernmost portion and on NE 20th Street and the Bellevue-Redmond Road between 148th Avenue NE, on the west side, and 156th Avenue NE on the easterly side shall be joint-use mains. The City of Bellevue shall be responsible for maintenance, operation and replacement of said mains. After each meter reading, City of Redmond shall report to City of Bellevue the water consumption from individual services along the mains within the City of Redmond and shall reimburse City of Bellevue for water used. The City of Redmond shall be responsible for maintenance, operation and replacement of the existing water main on 156th Avenue NE between the Bellevue-Redmond Road and a point approximately 270 feet North of NE 32nd Street, which shall be a joint use main. Redmond shall also be responsible for the existing water main on 154th Avenue NE between NE 40th Street and a point approximately 800 feet north of NE 36th Street, said point being on the present corporate limit line, which shall be a joint-use main. When said main is replaced by a new main on 156th Avenue NE, the new main shall be a joint-use main and shall be the responsibility of the City of Redmond. After each meter reading, the City of Bellevue shall report to the City of Redmond the water consumption from individual services along said mains within the City of Bellevue and the unincorporated areas and shall reimburse the City of Redmond for water used.

The existing water main on the Bellevue-Redmond Road between 156th Avenue NE and NE 30th Street shall be for the exclusive use of the City of Bellevue. If, in the future a party to this agreement should desire that such main be a joint-use main, the question shall be subject to negotiation. The City of Redmond shall have the right to install a main on NE 40th Street between 156th Avenue NE and 164th Avenue NE to serve the north side of NE 40th Street.

12. Master Meters.

(a) All master meters shall be read, maintained, operated and replaced by the City of Bellevue.

(b) A master meter shall be installed at the intersection of 148th Avenue N.E. and N.E. 40th, at the intersection of 156th Avenue N.E. and the Bellevue-Redmond Road, at the intersection of 148th Avenue N.E. and N.E. 36th Street, and at the intersection of 148 Avenue N.E. and N.E. 24th Street.

(c) The initial cost of the master meter at N.E. 40th Street shall be paid by the City of Redmond. The initial cost of the master meter at 156th Avenue N.E. shall be paid by the City of Bellevue. The cost of additional master meters which may be required will be divided equitably between said cities.

13. Transfer of Facilities to City of Redmond - Consideration. Title to those certain water mains and facilities of District lying within the boundaries of the City of Redmond, as shown on Exhibit C, shall be transferred by District to Redmond on or before January 1, 1973, in consideration of payment by Redmond to the King County Treasurer of $30,221 in three equal annual installments commencing on January 1, 1973, together with interest of 4.6% per annum on the declining balance, said sum representing that portion of the outstanding indebtedness of District which is attributable to the portion of District within the boundaries of City of Redmond as agreed between the parties and approved by District Resolution No. 186. Said sum shall be applied toward payment of principal and interest on bonded indebtedness and other indebtedness of District. Forty (40) percent of the engineering expense and segregation expense incurred in connection with said transfer shall be paid by District and 60% of said expenses shall be paid by Redmond.

14. Supply of Water.

(a) Any restriction of the supply of water to City of Redmond shall be on an equitable basis in relation to the service provided to other customers of the water system in the general vicinity.

(b) If noncompatible water sources are used in the future, the party desiring to make the change shall negotiate such change with the other party. The change may result in cross ties being installed at the changing party's expense.

15. Water Purveyor's Rate. It is agreed that the water purveyor's rate to be charged to City of Redmond after the Title Transfer Date shall be the then-current rate charged by the City of Seattle plus 30%. The then-current Seattle rate shall be computed to include any demand charge applied by the City of Seattle. The water purveyor rate structure shall be subject to review periodically.

16. Hold Harmless and Payment of Expenses. It is contemplated that the District will continue its corporate existence for some time after the Title Transfer Date to perform such functions as may be required by law and to accomplish the winding up of its affairs until it is dissolved by an appropriate order of the Superior Court of the State of Washington for King County, but District agrees to initiate and implement dissolution of the District after the Title Transfer Date as expeditiously as may be consistent with District obligations. During such interim period, the City shall pay out of the revenues of the Water System all expenses of the District including, but not limited to, auditing costs, clerical, financial and legal services, commissioners' meetings and election costs and costs incident to fina dissolution. Counsel for the District shall continue to press or defend any then outstanding claims by or against the District and to recommend settlement thereof to the District. Upon approval by the District Commissioners of the settlement of any such claim or entry of judgment thereon, the City shall pay any District liability thereon out of the revenues ot the City Water Utility or shall receive any net proceeds thereof which may be due the District and deposit same to the account of the City Water Utility. Solely out of the revenues of the Water System and moneys received pursuant to this contract, the City further agrees to pay and to save the District and its commissioners, employees, agents and advisors harmless and defend them from the payment of any and all legal liability for which the District is not insured and which is now or hereafter incurred in connection with the performance of the functions of the District and the duties of the commissioners thereof, including any costs, expenses and attorneys' fees incurred in the defense of the District or its commissioners, employees, agents or advisors.

17. Records Made Available and Documents Executed. The District shall make available to the City all records which it has pertaining to the construction

of the Water System, schedules of Water Service Charges and Connection Charges and Charges in Lieu of Assessment theretofore made by the District. The District shall furnish to the City records of water connections which have been made by the District, water customers served by the District, as-built drawings of water mains and facilities and such other documents as the City may require to carry out this contract. All parties agree that they shall enter into and execute such instruments, deeds or other documents as may be required to give effect to this contract as may be approved by the parties' attorneys.

18. Liability for Damages, Repair and Replacement. The District shall be liable for and shall be entitled to expend funds, whether budgeted or not, for all damages and claims resulting from the operation or use of the Water System prior to the Title Transfer Date. The District shall also be liable for all damages and claims incurred in the construction of additions or extensions to or improvements of the Water System prior to the Title Transfer Date. After the Title Transfer Date, the City shall be solely liable for all damages or claims in connection with or arising out of the operation, maintenance, construction, repair or replacement of the Water System. The City shall from and after the Title Transfer Date have the duty to make necessary repairs and replacement of the Water System sufficient to maintain same in good repair and working order and to provide service to all residents and properties within the District in accordance with the provisions of this contract.

Notwithstanding the liability provisions of this paragraph, the City shall be liable for and shall defend and hold harmless the District from any and all claims arising out of the City's maintenance and operation of the Water System and responsibilities for other performances under this contract.

19. Insurance. After the Title Transfer Date, the City shall maintain such insurance against casualty or loss to the System and against public liability as required by District operation, assets and obligations and as shall normally be maintained by private utilities under similar circumstances.

20. Effective Date - Term of Contract. This contract shall be effective upon its execution by all the parties hereto and shall continue in effect for a term of ninety-nine years from and after the date hereof, unless amended by mutual agreement.

IN WITNESS WHEREOF, the parties have executed this contract as of the day and year first above written.

Attest:

Patricia K. Weber

City Clerk

CITY OF BELLEVUE

By L. Joe Miller

City Manager

Attest:

Eleanor J. Hayden

City Clerk

CITY OF REDMOND

By Joseph L. Young

Mayor

APPROVED AS TO FORM:

John H. Simpson ATTORNEY

CITY OF REDMOND, WASHINGTON

WATER DISTRICT NO. 99,
KING COUNTY, WASHINGTON

By Ben R. Williams

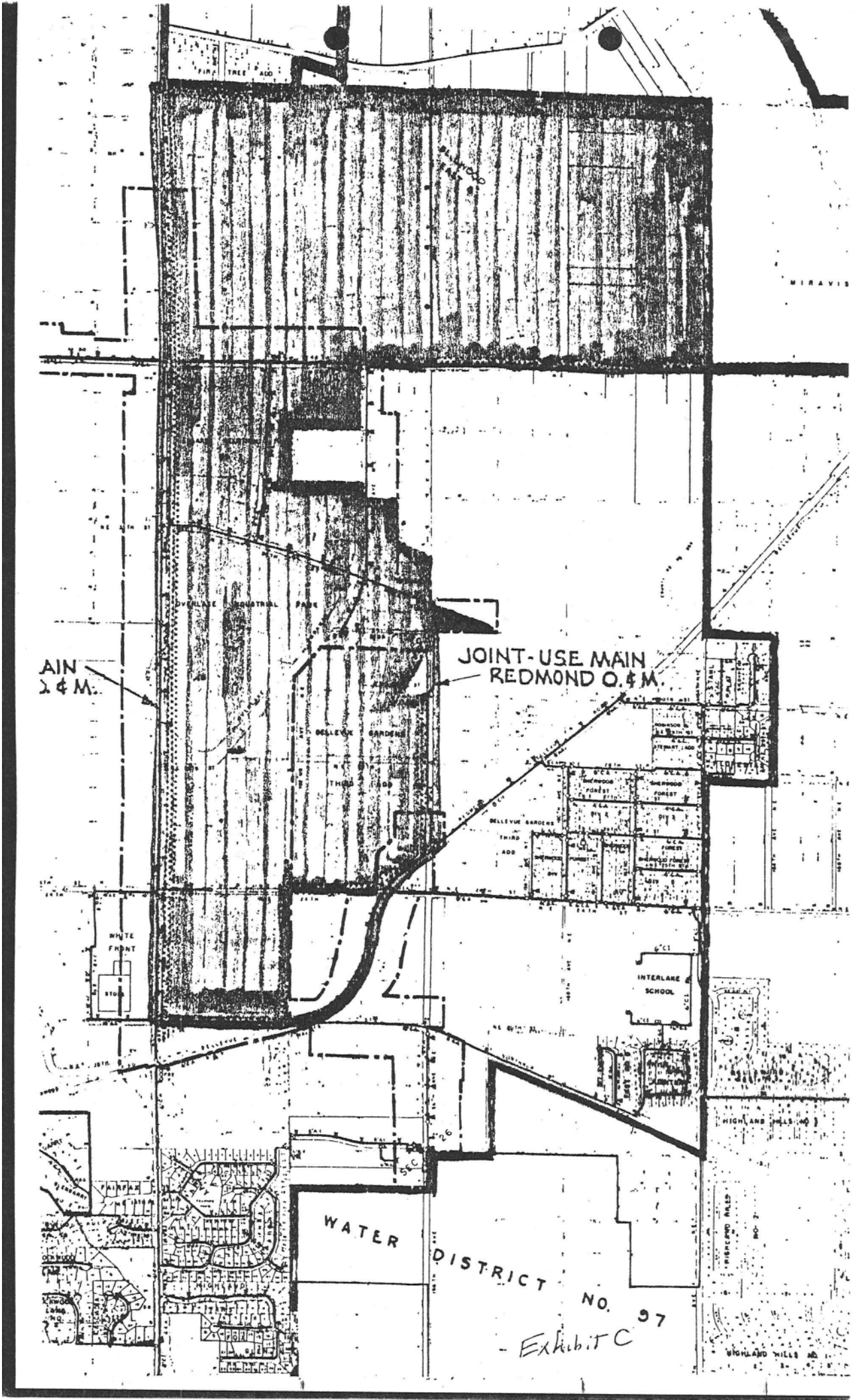
Commissioner

By Nancy A. Whyborney

Commissioner

By Gary A. Zimmerman

Commissioner


JOINT-USE MAIN
REDMOND O.&M.
AIN
O.&M.
WHITE FRONT
INTERLAKE SCHOOL
WATER DISTRICT NO. 97
MIRAVIS
HIGHLAND HILLS NO. 1
HIGHLAND HILLS NO. 2

- Exhibit C

WATER SERVICE AGREEMENT

CITY OF REDMOND - KING COUNTY WATER DISTRICT NO. 97

PITCARIN

THIS AGREEMENT is made and executed as of this 4 day of October, 1972, by and between the CITY OF REDMOND, a municipal corporation of the State of Washington, herein called "City", and KING COUNTY WATER DISTRICT NO. 97, a water district organized and existing under the laws of the State of Washington, herein called "District."

WHEREAS, the City has experienced difficulties in furnishing a portion of the City with adequate water service due to lack of mains; and

WHEREAS, the District lies in close proximity to such area and can readily serve the are with adequate pressure and supply of water from its nearby water-mains; and

WHEREAS, it is in the public interest that the parties hereto enter into an agreement, whereby the District will undertake to furnish a public water supply and service to the portion of the City now without an adequate water service;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, IT IS HEREBY AGREED AS FOLLOWS:

1. Water Service by District. The District agrees to make the necessary connections and to furnish water comparable to service now furnished throughout other parts of the District, to that portion of the City of Redmond which is described on the attached Exhibit A and is delineated upon the attached map designated Exhibit B, which area is primarily residential. For the purpose of this agreement, such area shall be designated herein as "water service area."

2. Customer Billing - Water Service Charges. It is understood and agreed that all users of water within the water service area shall be customers of the District during the term of this agreement and shall be billed by the District in accordance with its standard practices and rates, which rates shall be uniform for the same class of customers as charged within the District. Revenues collected by the District shall be retained by it as "water service charges" for furnishing water service to the water service area and in lieu of any other charges to the City for providing such service. All rules, regulations and orders of the District pertaining to its water system and use thereof shall apply within the water service area, and all persons, firms and corporations using water furnished by the District shall be subject thereto.

3. Title to Water System. Title to all connecting lines to be installed by the District to serve such area are to be in the District.

4. Liability. As between the parties, the District assumes all liability for damages or injury to persons or property that may result or be claimed by reason of the operation of the water system by the District within the water service area during the term of this agreement.

5. Term of Agreement - Termination. This agreement shall be in force and effect and binding upon the parties hereto upon the execution of the agreement as of the date above inserted, and shall continue in full force and effect thereafter until terminated by either party upon written notice to the other party one (1) year prior to the effective date of termination, unless sooner terminated by mutual agreement.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first above written.

CITY OF REDMOND

By: _____
MAYOR

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
_____ ATTORNEY
CITY OF REDMOND, WASHINGTON

KING COUNTY WATER DISTRICT NO. 97

By: _____
COMMISSIONER

By: _____
COMMISSIONER

By: _____
COMMISSIONER

ATTEST:

_____
Clerk of the Board

STATE OF WASHINGTON)
: ss
COUNTY OF KING)

On this 9 day of Oct, 1972, before me personally appeared SELWYN L. YOUNG and ELEANOR J. HAYDEN, the Mayor and City Clerk, respectively, of the City of Redmond, Washington, a municipal corporation, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said corporation, for uses and purposes therein mentioned, and

on oath stated that they were authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.

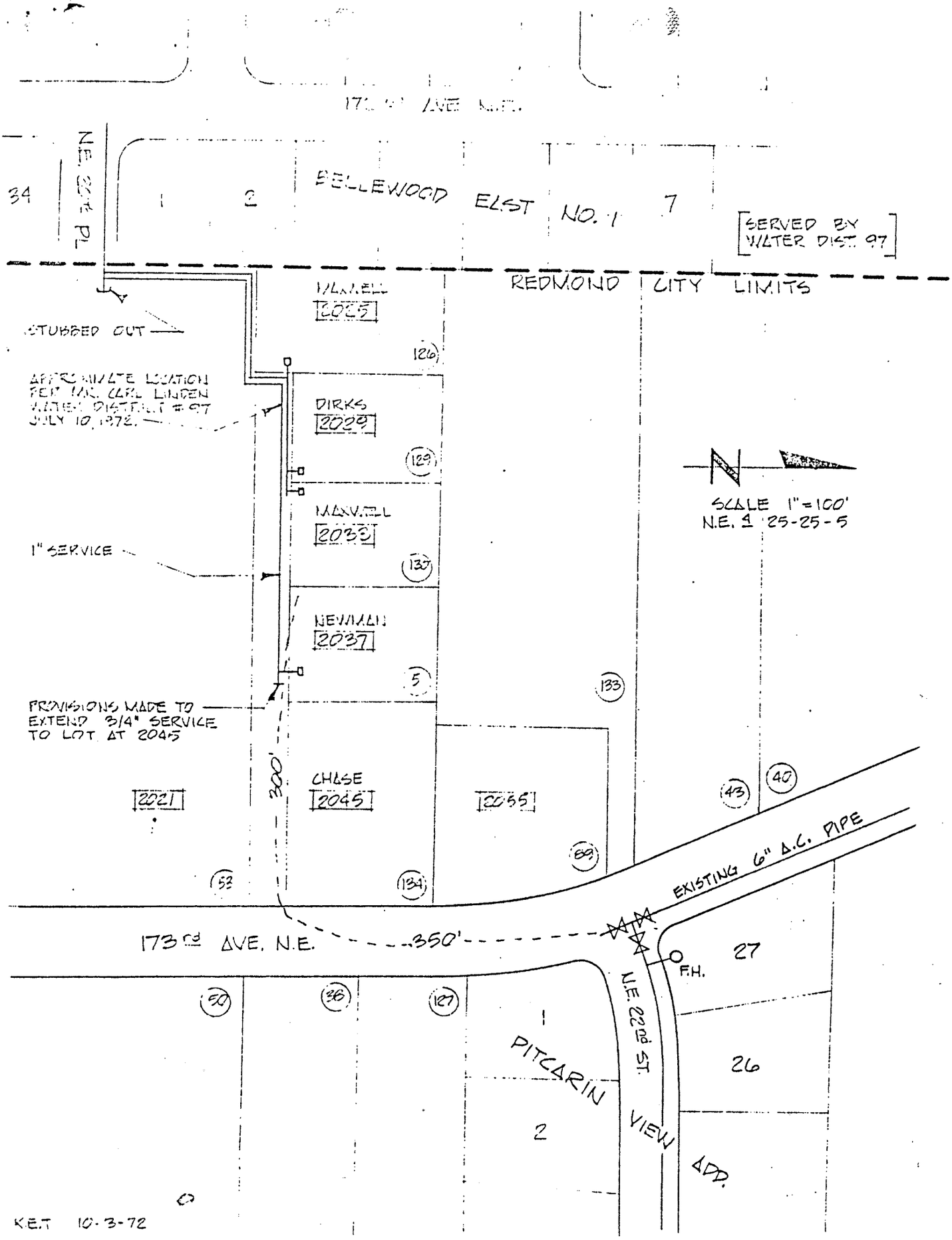
NOTARY PUBLIC in and for the State of Washington, residing at Redmond

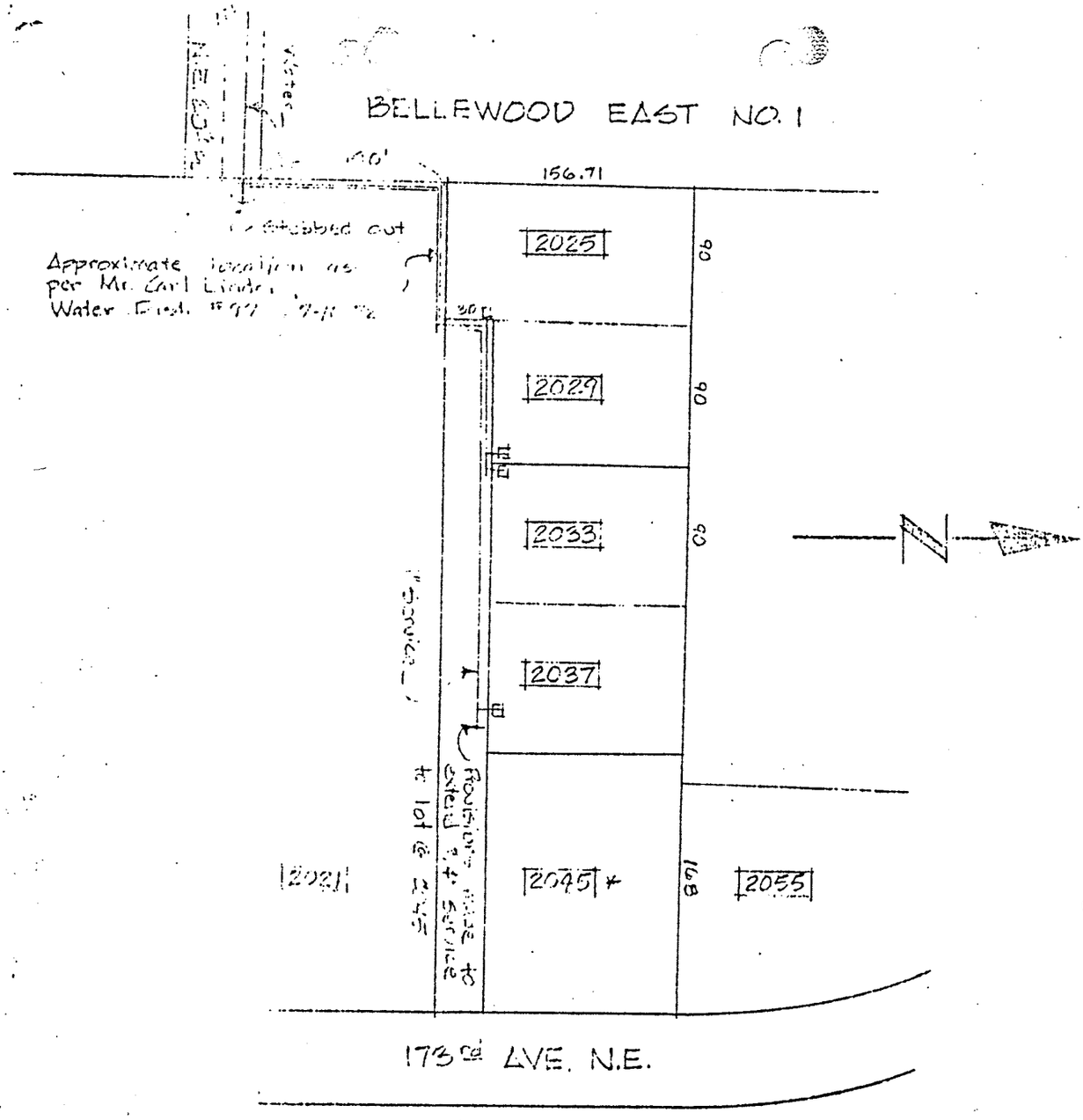
STATE OF WASHINGTON)
: ss
COUNTY OF KING)

On this 7th day of September 1972, before me personally appeared Alan J. Butler, Robert W. Rockwell AND Thomas M. Knapp, to me known to be the Commissioners of Water District No. 97, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said Water District No. 97, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said Water District No. 97.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.

NOTARY PUBLIC in and for the State of Washington, residing at Bellevue


173rd AVE N.E.
N.E. 22nd PL
34
1
2
BELLEWOOD ELST NO. 1
7
SERVED BY WATER DIST. 97
REDMOND CITY LIMITS
MAXWELL
2025
STUBBED OUT
126
APPROXIMATE LOCATION PER MR. CARL LINDEN WATER DISTRICT #97 JULY 10, 1972.
DIRKS
2029
129
MAXWELL
2033
1" SERVICE
130
NEWMAN
2037
5
133
PROVISIONS MADE TO EXTEND 3/4" SERVICE TO LOT AT 2045
300'
CHASE
2045
2021
2035
43
40
69
53
134
EXISTING 6" A.C. PIPE
173rd AVE. N.E.
350'
F.H.
27
50
36
127
N.E. 22nd ST.
PITCARIN
VIEW
ADD.
26
2
SCALE 1" = 100'
N.E. ¼ 25-25-5
K.E.T 10-3-72



Charles L. Maxwell	2025 173rd Ave. N.E.	Served by Water Dist. #97
Robert Dirks	2029 173rd Ave. N.E.	
Lloyd C. Maxwell	2033 173rd Ave. N.E.	
Frank Newman	2037 173rd Ave. N.E. —	Served 6-5-72
* E. L. Chase	2045 173rd Ave. N.E. —	Need water service

Ken Torp 7-10-72

PROJ. NO. 70-E-69

170

MURRAY FRANKLYN

WATER SERVICE AGREEMENT

CITY OF REDMOND - CITY OF BELLEVUE - KING COUNTY WATER DISTRICT NO. 97.

THIS AGREEMENT made and executed this 6TH day of JULY, 1972, by and between the CITY OF REDMOND, a municipal corporation of the State of Washington, herein called "Redmond"; the CITY OF BELLEVUE, a municipal corporation of the State of Washington, herein called "Bellevue" and KING COUNTY WATER DISTRICT NO. 97, a water district organized and existing under the laws of the State of Washington, herein called "District".

W I T N E S S E T H :

WHEREAS, Bellevue is not prepared at this time to furnish an area lying within its limits described on Exhibit "A" with adequate water service; and

WHEREAS, District water system does not include a water line which could serve such area and said area is outside District limits; and

WHEREAS, Redmond City limits lie in close proximity to such area and a water line owned and operated by Redmond can readily serve the area with adequate pressure and supply of water; and

WHEREAS, it is in the public interest that the parties hereto enter into an agreement whereby Redmond will undertake to furnish a public water supply and service to the portion of the City hereafter described now without an adequate water service;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, IT IS HEREBY AGREED AS FOLLOWS:

RECEIVED JUN 30 1972

1. Water Service by Redmond. Redmond agrees to make the necessary connections and to furnish water and public water service, comparable to service now furnished throughout other parts of Redmond, to that portion of Bellevue which is described on the attached Exhibit "A" and is delineated upon the attached map designated Exhibit "B". For the purpose of this agreement, such area shall be designated herein as "water service area".

2. Cooperation in Making Connections. Bellevue and District agree to cooperate with and to assist Redmond in making the necessary connections to establish service by Redmond to the water service area and in cutting off any existing connection by Bellevue and District, preserving however, the ability by Bellevue or District to connect in the event of an emergency. Redmond shall be entitled to collect all revenue and charges for water furnished up to the date of disconnection upon termination of this agreement.

3. Customer Billing - Water Service Charges. It is understood and agreed that all users of water within the water service area shall be customers of Redmond during the term of this agreement and shall be billed by Redmond in accordance with its standard practices and rates, which rates shall be uniform for the same class of customers as charged within Redmond. Revenues collected by Redmond shall be retained by it as "water service charges" for furnishing water service to the water service area and in lieu of any other charge to Bellevue or District for providing such service. All rules, regulations and orders of Redmond pertaining to its water system and use thereof shall apply within the water service area, and all persons, firms and corporations using water furnished by the Redmond shall be subject thereto.

4. Title to Water System. Title to all water system improvements and appurtenances within the water service area shall be and remain in Bellevue, except for the connecting lines to be installed by Redmond to serve such area, it being understood that most of the improvements will be developer-installed and are included in the dedication of platted streets to Bellevue.

5. Maintenance and Operation - Major Repairs. Redmond shall maintain and operate the water system within the water service area and keep the same in good repair and operating order as it does other parts of its water system within Redmond. All routine maintenance and operation costs shall be paid and borne by Redmond, and Bellevue shall be responsible for major repairs to watermains, lines and appurtenances within the water service area. "Major repair" shall mean those repairs where the cost thereof exceeds the sum of $ 250.00 .

6. Work in Street Right-of-Ways. Redmond shall be entitled to undertake maintenance work and to install customer service connections within the street right-of-way without the necessity of a franchise therefor or payment of a street permit fee to Bellevue; provided that prior to undertaking such work or installation, Redmond shall notify the Public Works Department of Bellevue of the same.

7. Water for Fire Protection. Water may be used to the extent available, for the purpose of fire protection by Bellevue and applicable Fire Protection Districts and Fire Departments and for routine checking of fire hydrants wherever installed. It is expressly understood that Redmond undertakes to furnish water for fire protection to the water service area in the same manner as water is furnished by Redmond for fire protection within the city limits of Redmond.

8. Books and Records. Redmond agrees to keep and maintain complete records of water users and to furnish the same to Bellevue upon the termination of this agreement as provided in Paragraph 10.

9. Liability. As between the parties, Redmond assumes all liability for damages or injury to persons or property that may result or be claimed by reason of the operation of the water system by Redmond within the water service area during the term of this agreement.

10. Term of Agreement - Termination. This agreement shall be in force and effect and binding upon the parties hereto upon the execution of the agreement as of the date above inserted and shall continue in full force and effect thereafter until terminated by either party upon written notice to the other party one (1) year prior to the effective date of termination, unless sooner terminated by mutual agreement.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first above written.

CITY OF REDMOND

By L. N. Young MAYOR

By Eleanor J. Hayden CITY CLERK

CITY OF BELLEVUE

By Joe Miller City Manager

By Sharon S. Stewart Deputy City Clerk

KING COUNTY WATER DISTRICT NO. 97

By [illegible]
President, Board of Commissioners

By [illegible]
Secretary, Board of Commissioners

APPROVED AS TO FORM:
[illegible] 7/6/72
ATTORNEY
CITY OF REDMOND, WASHINGTON

STATE OF WASHINGTON,)
) ss.:
COUNTY OF K I N G .)

On this 6 day of July, 1972, before me personally appeared L. L. Young and Eleanor J. Hayden, to me known to be Mayor and City Clerk respectively, of the City of Redmond, Washington, a municipal corporation, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said Municipality, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said Municipality.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Charlotte H Turtaenen
Notary Public in and for the State of Washington, residing at Kirkland

STATE OF WASHINGTON,)
) ss.:
COUNTY OF K I N G .)

On this 27th day of June, 1972, before me personally appeared L. JOE MILLER and PATRICIA K. WEBER, to me known to be the City Manager and the City Clerk respectively, of the City of Bellevue, Washington, a municipal corporation, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said Municipality, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said Municipality.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public in and for the State of Washington, residing at Bellevue.

STATE OF WASHINGTON,)
) ss.:
COUNTY OF K I N G .)

On this 6th day of July, 1972, before me personally appeared DEAN J. BARKER and ROBERT W. ROCKWELL, to me known to be the President and Secretary respectively, of Water District No. 97 of King County, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said Water District No. 97 of King County, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the sale of said Water District No. 97 of King County.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public in and for the State of Washington, residing at Bellevue

121-01
May 30, 1972

REDMOND CONNECTION
MURRAY-FRANKLYN ADDITION
EXHIBIT A

On	From	To	Size	Length
N.E. 31st Place	172nd Ave. N.E.	A point approximately 175' westerly of the centerline of 172nd Ave. N.E.	6" Cast Iron	190 LF
Easement west line Lots 8, 11, & 16 Plat of Murray-Franklyn Addition	N.E. 31st Place	N.E. 30th Street	6" Cast Iron	503 LF

RECEIVED JUN 30 1972

Professional Management of
Land Planning and Development

Subdivision Management Co.

A Division of
D. A. DURYEE & CO.

10717 N.E. 196th
Bothell, Wash. 98011

2723 Hoyt Avenue — AL 9-1122
EVERETT, WASHINGTON 98201

485 2552

September 2, 1971

Mr. Frank Hansche
Director of Public Works
Redmond City Hall
Redmond, Washington

Dear Mr. Hansche,

On behalf of Murray Franklyn Corp., I would like to request water service from the City of Redmond for the proposed 5 acre, 18 lot plat shown on the enclosed sketch.

The property lies West of 172nd Ave. N.E. and the City of Redmond boundary line. The City has an existing water main along the East side of 172nd Ave. N.E.. It would be our intention to hook up to the existing line with two short stub lines to serve the two cul-de-sacs shown on the enclosed sketch.

We have determined that the property does not fall within the boundaries of any water district and can only be served by Redmond at this time. Your consideration of this request will be greatly appreciated.

Very truly yours,

Subdivision Management, Inc.

B. Douglas Webb

B. Douglas Webb
President

BDW/bw
c.c. Murray Franklyn Corp.
Encl.

RECEIVED SEP - 3 1971

TAM-O-SHANTER

WATER SERVICE AGREEMENT

CITY OF REDMOND - KING COUNTY WATER DISTRICT NO. 97

THIS AGREEMENT is made and executed as of this 27 day of August, 1968, by and between the CITY OF REDMOND, a municipal corporation of the State of Washington, herein called "City," and KING COUNTY WATER DISTRICT NO. 97, a water district organized and existing under the laws of the State of Washington, herein called "District."

WHEREAS, the City has experienced difficulties in furnishing a portion of the City with adequate water service due to low pressures and other engineering problems in developing a sufficient supply and force of water to such area; and

WHEREAS, the District lies in close proximity to such area and can readily serve the area with adequate pressure and supply of water from its nearby watermains; and

WHEREAS, it is in the public interest that the parties hereto enter into an agreement, whereby the District will undertake to furnish a public water supply and service to the portion of the City now without an adequate water service;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, IT IS HEREBY AGREED AS FOLLOWS:

1. Water Service by District. The District agrees to make the necessary connections and to furnish water and a public water service, comparable to service now furnished throughout other parts of the District, to that portion of the City of Redmond which is described on the attached Exhibit A and is delineated upon the attached map designated Exhibit B, which area is primarily residential. For the purpose of this agreement, such area shall be designated herein as "water service area."

2. Cooperation in Making Connections. The City agrees to cooperate with and to assist the District in making the necessary connections to establish service by the District to the water service area and in cutting off the existing connections by the City, preserving however, the ability by the City to re-connect in the event of an emergency or to re-establish service when adequate service by the City can be provided.

3. Customer Billing - Water Service Charges. It is understood and agreed that all users of water within the water service area shall be customers of the District during the term of this agreement and shall be billed by the District in accordance with its standard practices and rates, which rates shall be uniform for the same class of customers as charged within the District. Revenues collected by the District shall be retained by it as "water service charges" for furnishing water service to the water service area and in lieu of any other charge to the City for providing such service. All rules, regulations and orders of the District pertaining to its water system and use thereof shall apply within the water service area, and all persons, firms and corporations using water furnished by the District shall be subject thereto.

4. Title to Water System. Title to all water system improvements and appurtenances within the water service area shall be and remain in the City, except for the connecting lines to be installed by the District to serve such area, it being understood that most of the improvements have been developer-installed and are included in the dedication of platted streets to the City.

5. Maintenance and Operation - Major Repairs. The District shall maintain and operate the water system within the water service area and keep the same in good repair and operating order as it does other parts of its water system within the District. All routine maintenance and operation costs shall be paid and borne by

the District and the City shall be responsible for major repairs to the watermains, lines and appurtenances. "Major repair" shall mean those repairs where the cost thereof exceeds the sum of $250.00.

6. Work in Street Right-of-Ways. The District shall be entitled to undertake maintenance work and to install customer service connections within the street right-of-way without the necessity of a franchise therefor or payment of a street permit fee to the City; provided, that prior to undertaking such work or installation, the District shall notify the Public Works Department of the City of the same.

7. Water for Fire Protection. Water may be used, to the extent available, for the purpose of fire protection by the City and applicable Fire Protection Districts and Fire Departments and for routine checking of fire hydrants wherever installed. It is expressly understood that the District does not undertake any greater legal duty to furnish water for fire protection than the District has to its residents presently served, nor than has the City to residents on its municipal water system.

8. Books and Records. The City agrees to furnish to the District complete records of water users within the water service area sufficient to enable the District to set up billing procedures for such customers. During the term of this agreement, the District agrees to keep and maintain complete records of such water users and to furnish the same to the City upon the termination of this agreement as provided in paragraph 10.

9. Liability. As between the parties, the District assumes all liability for damages or injury to persons or property that may result or be claimed by reason of the operation of the water system by the District within the water service area during the term of this agreement.

10. Term of Agreement - Termination. This agreement shall be in force and effect and binding upon the parties hereto upon the execution of the agreement as of the date above inserted, and shall continue in full force and effect thereafter until terminated by either party upon written notice to the other party one (1) year prior to the effective date of termination, unless sooner terminated by mutual agreement.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first above written.

CITY OF REDMOND

By: Selwyn L. Young
MAYOR

ATTEST:

Eleanor J. Hayden
City Clerk

KING COUNTY WATER DISTRICT NO. 97

By: [illegible]
COMMISSIONER

By: Alan Barker
COMMISSIONER

By: [illegible]
COMMISSIONER - Secretary of Board

ATTEST:

Clerk of the Board

STATE OF WASHINGTON)
: ss.
COUNTY OF KING)

On this 27TH day of AUGUST, 1968, before me personally appeared SELWYN L. YOUNG and ELEANOR J. HAYDEN, the Mayor and City Clerk, respectively, of the City of Redmond, Washington, a municipal corporation, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on

oath stated that they were authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.

John A. Nuvo

NOTARY PUBLIC in and for the State of Washington, residing at Redmond.

STATE OF WASHINGTON)
: ss.
COUNTY OF KING)

On this 7 day of October, 1968, before me personally appeared J. L. McDonald, Dean Barker, and James W. Darter, to me known to be the Commissioners of Water District No. 97, and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said Water District No. 97, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said Water District No. 97.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.

Carl A. Johnson

NOTARY PUBLIC in and for the State of Washington, residing at Redmond.

RECEIVED

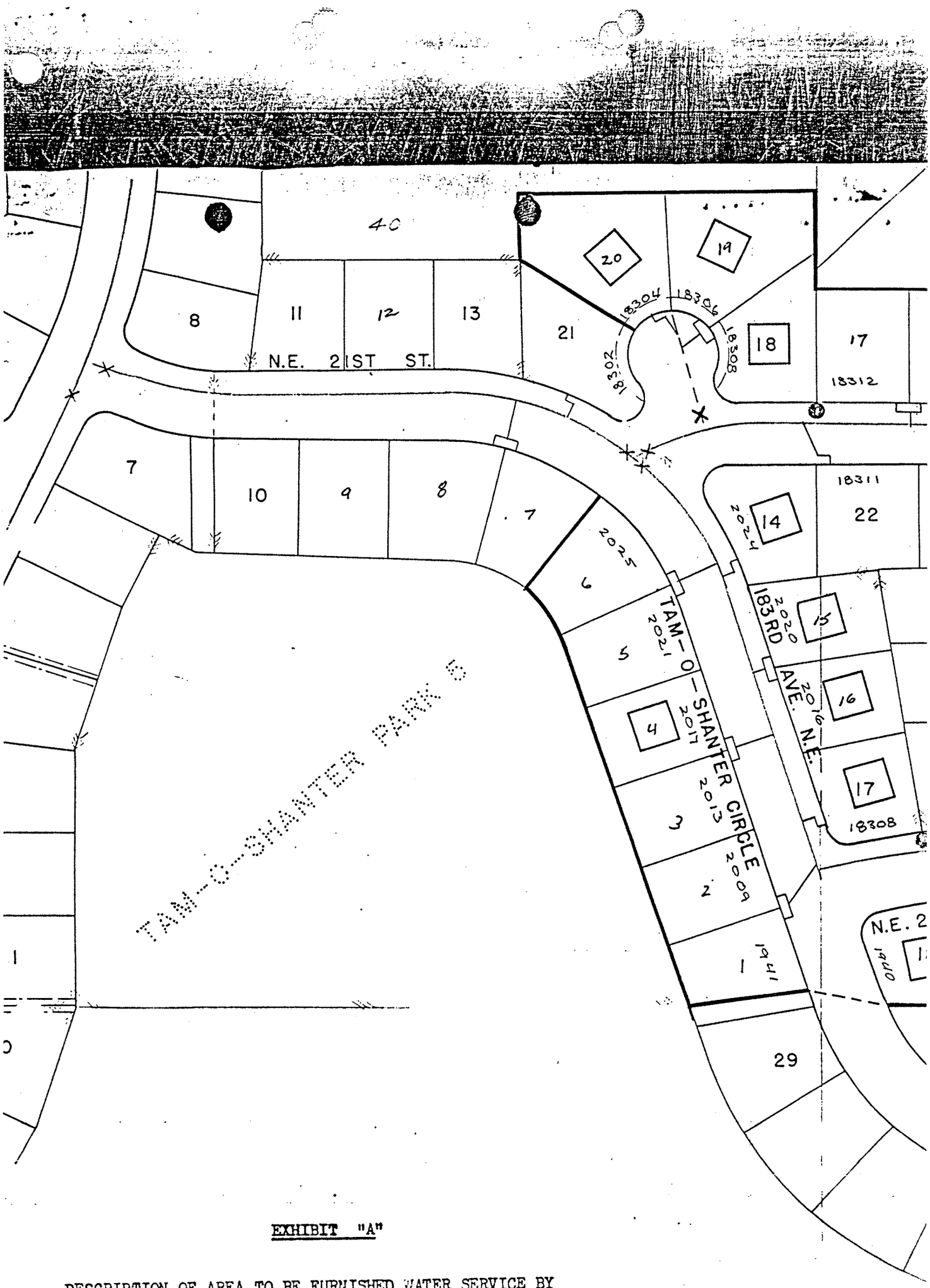


EXHIBIT "A"

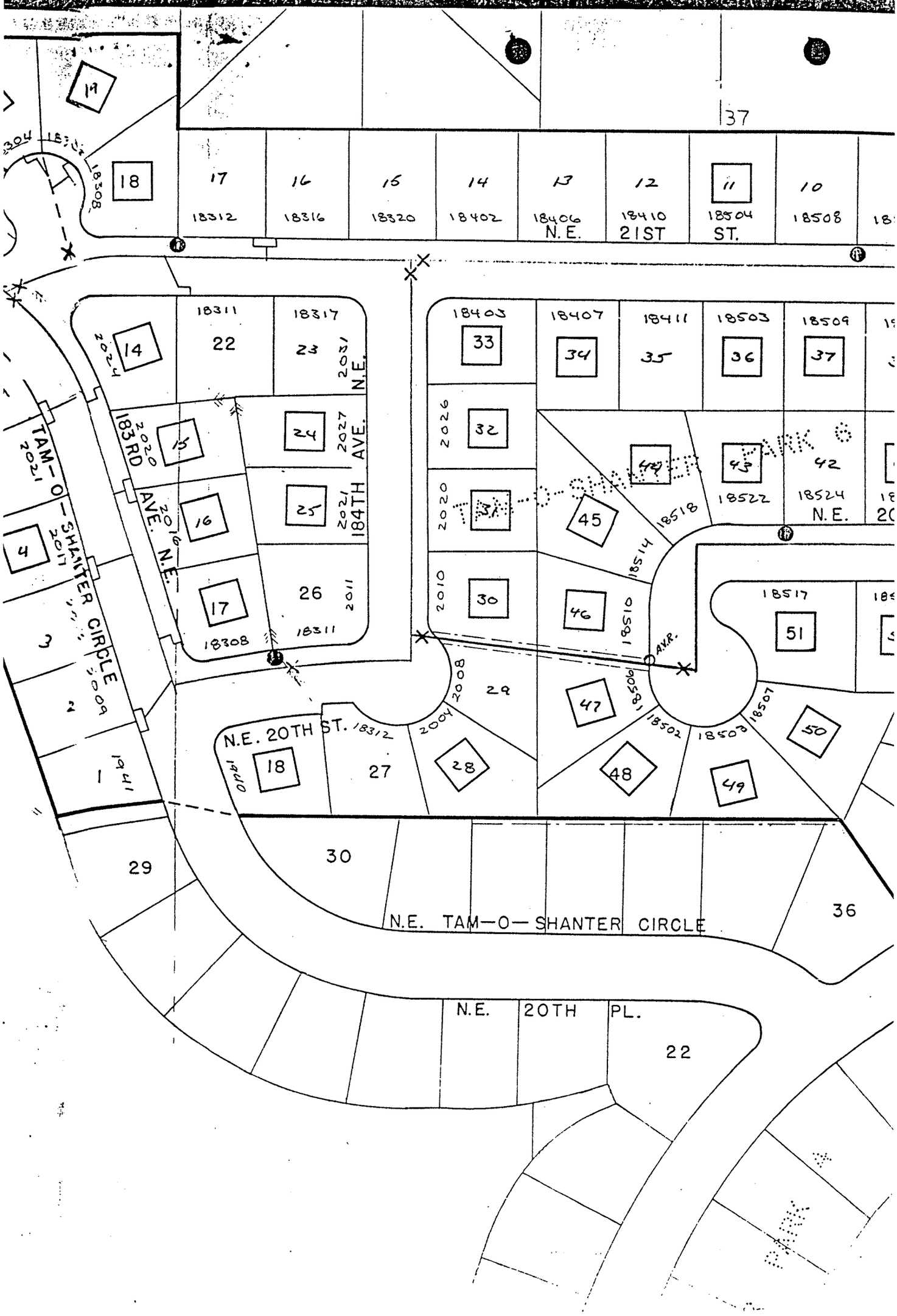
DESCRIPTION OF AREA TO BE FURNISHED WATER SERVICE BY KING COUNTY WATER DISTRICT NO. 97 IN A PORTION OF THE PLAT OF TAM-O-SHANTER PARK NO. 5 AND ALL BUT ONE (1) LOT IN THE PLAT OF TAM-O-SHANTER PARK NO. 6.

PLAT OF TAM-O-SHANTER PARK NO.5.

LOTS 1 TO 6 INCLUSIVE AND LOTS 14 TO 18 INCLUSIVE.

PLAT OF TAM-O-SHANTER PARK NO. 6.

LOTS 1 TO 20 INCLUSIVE AND LOTS 22 TO 56 INCLUSIVE.



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TAM-O-SHANTER CIRCLE
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N.E. TAM-O-SHANTER CIRCLE
N.E. 20TH PL.
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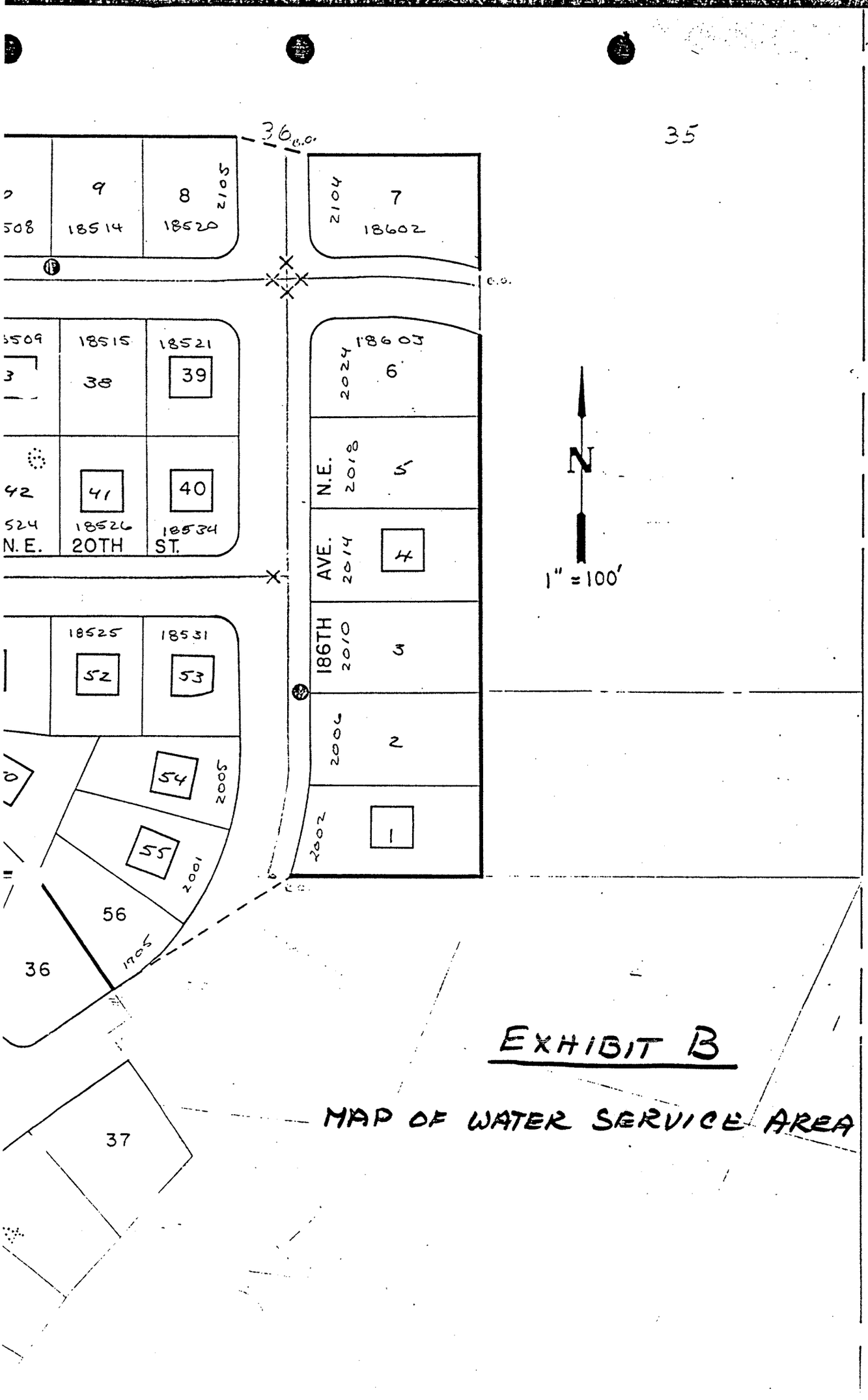

EXHIBIT B

MAP OF WATER SERVICE AREA

City of Seattle

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ORIGINAL

FILED NO. 13717
CITY OF BELLEVUE
DATE 7/20/88
CITY CLERK O'Connor
Res 5031

SHARED COST AGREEMENT

BETWEEN THE CITY OF SEATTLE AND THE CITY OF BELLEVUE

FOR

EASTGATE PUMP STATION AND SUPPLY INLET STATION IN BELLEVUE

THIS AGREEMENT, is made and entered into pursuant to the provisions of the Interlocal Cooperation Act RCW 39.34, by and between the City of Seattle, (hereinafter called "SEATTLE"), and the City of Bellevue, (hereinafter called "BELLEVUE"), both municipal corporations of the State of Washington.

WHEREAS, in accordance with the "Water Purveyor Contract Between SEATTLE and BELLEVUE for the Supply of Water" (hereinafter called the "Water Purveyor Contract"), executed on April 8, 1982, SEATTLE is obligated under normal conditions to provide water service to BELLEVUE's taps at the following minimum hydraulic gradients (based on City of Seattle datum); and

LOCATION	MINIMUM HYDRAULIC GRADIENT*
140th Avenue N.E. & N.E. 40th Street	490
132nd Avenue N.E. & N.E. 14th Street	460
132nd Avenue N.E. & N.E. 24th Street	445
152nd Avenue N.E. & N.E. 8th Street	450
145th Place S.E. & S.E. 28th Street	460

* The Minimum Hydraulic Gradients as modified by the N.E. 8th and S.E. 28th Pump Stations Shared Cost Agreement executed in August 1983 are based on historic use patterns for the connection, demand projections to 1995, and a maximum demand factor of 1.3, and construction of Eastgate Reservoir.

WHEREAS, RCW 39.34.010 provides that the purpose of the Interlocal Cooperation Act is to "permit local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities;" and

WHEREAS, BELLEVUE has stated that they intend to construct a new supply inlet station which will connect to SEATTLE's facilities after the Eastgate Pump Station is constructed; and

WHEREAS, the pump station is designed to serve a dual purpose of pumping water from the pipeline to Eastside Reservoir or in times of high demand to pump water from the reservoir back into the regional system; and

WHEREAS, BELLEVUE's supply inlet station is being designed to provide additional capacity to their distribution system; and

WHEREAS, the pump station will provide an emergency backup facility to supply water to BELLEVUE; and

WHEREAS, in the interest of efficiency and cost feasibility, such pump station is being designed and constructed such that SEATTLE's obligations under the Water Purveyor Contract are being met as well as BELLEVUE's water distribution requirements; and

WHEREAS, BELLEVUE has agreed to pay SEATTLE for all costs related to upsizing the pump station and operating the pump station specifically for BELLEVUE's needs; and

WHEREAS, BELLEVUE has agreed to pay SEATTLE for all costs related to the preparation of the initial design, drawings and specifications for the supply inlet station, which have been subsequently assigned to BELLEVUE and modified by its consultant; and

WHEREAS, BELLEVUE has agreed to pay SEATTLE for all costs related to the advanced construction of those portions of the supply inlet station that are being installed by the pump station contractor to facilitate the future construction of the remainder of the supply inlet station; and

WHEREAS, it is the intent of SEATTLE and BELLEVUE to acquire operating data on Eastgate Pump Station and Eastside Reservoir for two years and with that operational information renegotiate the terms of this Agreement prior to its termination on December 31, 1991; now therefore,

IN CONSIDERATION of the premises and the mutual covenants and agreements herein contained the parties agree to construct and share the cost of the pumping station and supply inlet station and to operate the proposed pumping station pursuant to the following terms and conditions:

Section 1. Term

The term of this Agreement shall commence and become effective on the execution of this Agreement by both parties. The Agreement shall terminate on December 31, 1991.

Section 2. Minimum Hydraulic Gradient

In accordance with Section II.A.3 of the Water Purveyor Contract, the minimum hydraulic gradient for the Eastgate tap to be located at Tolt Eastside Supply Line and Newport Way will be 515 feet above sea level, Seattle datum. This new minimum hydraulic gradient is subject to the provisions of the Water Purveyor Contract. The minimum hydraulic gradient for the existing five taps remain unchanged.

Section 3. Design and Construction

SEATTLE shall take all necessary steps to provide for the design and construction, including construction administration and inspection, of the pump station and the advanced construction of portions of the supply inlet station. The estimated cost of the pump station and supply inlet station, including site acquisitions is $1,700,000.

SEATTLE has previously furnished BELLEVUE with copies of the plans and specifications of the pumping station and initial design of the supply inlet station for review and approval by BELLEVUE when the final design was one hundred percent (100%) complete. The plans and specifications were approved by BELLEVUE. Bids were received on September 23, 1987; a copy of the construction bid tabulation is shown in Exhibit A, a copy of which is enclosed and incorporated herein by reference. The low bid for the pump station was $1,053,525, including state sale tax. The associated bid for the supply inlet station was $245,673, including state sales tax.

Based upon the bids received, it is agreed that only minimal portions of the supply inlet station would be constructed by

SEATTLE's pump station contractor, and that BELLEVUE will modify the initial drawings and specifications and award and administer its own contract, including the inspection of the contractor's performance, for the construction of the majority of the supply inlet station. It is further agreed that BELLEVUE shall be responsible for acquiring the necessary easement for the supply inlet station. BELLEVUE shall provide to Seattle the final plans and drawings for the construction of its portion of the supply inlet station within 15 days of the execution of this agreement.

SEATTLE shall be the contracting "owner" with its contractor and shall be responsible for all phases of the construction and completion of the pumping station and those portions of the supply inlet station which it undertakes to construct, in accordance with the approved plans. BELLEVUE shall be the contracting "owner" with its contractor and shall be responsible for all phases of the construction and completion of those portions of the supply inlet station which it undertakes to construct. The parties shall coordinate and keep each other informed of their contractor's progress during construction. Upon completion of the work in accordance with the approved plans and the satisfactory testing of the pump station for continuous operation at its rated capacity, SEATTLE shall notify BELLEVUE of the date and time of the final construction inspection. BELLEVUE personnel may accompany the City's personnel and inspector on final inspection for purposes of creating a final checklist (punch list) for the construction contractor to complete. SEATTLE's acceptance of the work shall be by certification of the Board of Public Works. A copy of such certification shall be furnished to BELLEVUE.

Section 4. Sharing of Construction Costs

SEATTLE shall be responsible for paying all of the costs of design and construction of the pump station, provided, however, that SEATTLE shall receive reimbursement from BELLEVUE for 100% of its costs related to the design and construction of the pump station upsizing and the advanced construction of portions of the supply inlet station, including any additional valving and piping required to connect the supply inlet station. SEATTLE's estimated cost (to be reimbursed by BELLEVUE) for upsizing the pump station and portions of the supply inlet station is $136,537. (A breakdown of costs is shown in Exhibit B, a copy of which is enclosed and incorporated herein by reference). In addition, BELLEVUE shall be responsible for any costs of delay caused by contractor interference should the contractor BELLEVUE hires to build the supply inlet station be authorized to commence work prior to the completion of work by SEATTLE's contractor constructing the pump station. Both SEATTLE and BELLEVUE shall maintain separate accounting of its costs associated with the pump station and the supply inlet station.

Section 5. Method of Payment

Upon completion of the pump station construction, SEATTLE will prepare and forward an invoice to BELLEVUE for its share of SEATTLE's costs and expenditures (including interest), as described in Section 4 above, together with a copy of the bills/invoices received by SEATTLE from its consultants, contractors, and other third parties and documentation of in-house costs associated with

work which costs are being shared. BELLEVUE shall pay such costs within forty-five (45) days of receipt of invoice from SEATTLE. If BELLEVUE fails to make full invoice payment within said forty-five (45) days, then penalty interest shall accrue on the unpaid amount at the daily Seattle First National Bank Prime Interest Rate in effect at such time. SEATTLE shall account for such penalty interest and include the interest amount on subsequent invoices.

Section 6. Monthly Startup and Operation Charges

It is the intention of BELLEVUE to utilize water from the tap at TESSL and Newport Way under normal operating conditions of SEATTLE. However, BELLEVUE has the right to request the pump station be started and operated for their specific needs. In those cases, BELLEVUE agrees to pay SEATTLE a monthly startup charge (to be assessed any time the pump is started during a calendar month) of $500.00 and an operation charge of $19.00 per month plus $7.00 per hour for each pump used. BELLEVUE shall be billed on a monthly basis for their startup and operation changes.

Section 7. Ownership and Rights

SEATTLE shall own and maintain the pumping station along with all the piping and appurtenances upstream of the flange on the butterfly valve separating SEATTLE's and BELLEVUE's meter vaults. BELLEVUE shall own and operate all piping and appurtenances downstream of the aforementioned flange. (A diagram of the station and piping showing ownership is shown as Exhibit C, a copy of which is enclosed and incorporated herein by reference).

Section 8. Indemnity

SEATTLE agrees to defend, save harmless, and indemnify BELLEVUE from and against any and all claims and demands for injury or death to persons and/or damage to property arising out of SEATTLE's operation and maintenance of the pumping station except as may be caused by the acts and negligence of BELLEVUE, its agents, servants, or employees, or through acts of nature.

SEATTLE agrees to defend, save harmless, and indemnify BELLEVUE from and against any and all claims for injury or death to persons and/or damage to property arising out of the construction of the pumping station except as may be caused by the acts and negligence of BELLEVUE, its agents, servants, or employees, or through acts of nature.

BELLEVUE agrees to defend, save harmless, and indemnify SEATTLE from and against any and all claims and demands for injury or death to persons and/or damage to property arising out of BELLEVUE's construction, operation, and maintenance of the supply inlet station except as may be caused by the acts and negligence of SEATTLE, its agents, servants, or employees or through acts of nature.

SEATTLE's Consultants shall be required to maintain professional liability insurance with limits of not less than $1,000,000.00.

Section 9. Assignability

SEATTLE and/or BELLEVUE may assign its interest to a legally constituted regional water authority after 30 days prior written

notice to the other party to this agreement. This agreement shall be binding upon all successors and assignees of the parties, who must be public agencies.

Section 10. Amendments

Either party may request, in writing, the other party to consider an amendment to this Agreement. If the Amendment is mutually acceptable to both parties said Agreement shall be made in writing, signed by both parties and attached to this Agreement.

Section 11. Notice

Any notice or demand by any party under this contract shall be deemed properly given if mailed postage prepaid and addressed to each of the parties at the addresses listed below:

SEATTLE: Robert P. Groncznack, Superintendent
Seattle Water Department
Exchange Building - 11th Floor
821 Second Avenue
Seattle, Washington 98104

BELLEVUE: Philip Kushlan, City Manager
City of Bellevue
P.O. Box 90012
Bellevue, Washington 98009

IN WITNESS WHEREOF, SEATTLE has caused this Agreement to be executed by its Superintendent of Water pursuant to Ordinance 114138.

CITY OF SEATTLE

By: _____
ROBERT P. GRONCZNACK
Superintendent of Water

Date: 10/27/88

CITY OF BELLEVUE

By: _____
PHILIP KUSHLAN
City Manager

Date: 8/11/88

APPROVED AS TO FORM:

By: _____
Bellevue City Attorney

Date: 7-29-88

SWD
DBP:sae
4-26-88
ER41.13.9

EXHIBIT B

Bellevue's Portion of Costs for Upsizing Eastgate Pump Station and the Supply Inlet Station

Item		Cost
Upsizing Pump Station (P.S.)		
Horsepower Differential in Pumps	$16,150	
		$ 16,150
Supply Inlet Station		
SWD Administration	$ 8,000	
CH2M-Hill Initial Design	8,600	
Valving and Piping Inside P.S.	48,600	
Advanced Construction Outside P.S.	46,200	
		$111,400
State Sales Tax (8.1%)		8,987
TOTAL		$136,537

FILED NO. 8605
CITY OF BELLEVUE
DATE 8-16-83
CITY CLERK Lani O'Connell
Res. 4225

SHARED COST AGREEMENT

BETWEEN CITY OF SEATTLE AND CITY OF BELLEVUE

FOR

PROPOSED PUMP STATIONS AT N.E. 8TH ST. AND S.E. 28TH ST IN BELLEVUE

THIS AGREEMENT, is made and entered into pursuant to the provisions of the Interlocal Cooperation Act RCW 39.34, by and between the City of Seattle, (hereinafter called the "CITY"), and the City of Bellevue, (hereinafter called "Bellevue"), both municipal corporations of the state of Washington.

WHEREAS, in accordance with the "Water Purveyor Contract Between the City and the City of Bellevue for the Supply of Water" (hereinafter called the "Water Purveyor Contract"), executed on April 8, 1982, the City is obligated under normal conditions to provide water service to the Bellevue's taps at the following minimum hydraulic gradients (based on City of Seattle datum).

LOCATION	MINIMUM HYDRAULIC GRADIENT*
140th Ave NE & NE 40th St	520
132nd Ave NE & NE 14th St	505
132nd Ave NE & NE 24th St	475
152nd Ave NE & NE 8th St	485
145th Place SE & SE 28th St	500

*The Minimum Hydraulic Gradient is based on historic use patterns for the connection, demand projections to 1995, and a maximum demand factor of 1.3, and construction of Eastgate Reservoir.

WHEREAS, the City conducted hydraulic analysis and determined that it would need to provide an additional 35 feet of new pumping capacity at the NE 8th Street and 40 feet of new pumping capacity at SE 28th Street taps to fulfill its obligations under the Water Purveyor Contract to provide water service under normal conditions; and

WHEREAS, Bellevue determined that it would also require additional head (over and above that to be provided by the City) of 54 feet at NE 8th Street and 39 feet at SE 28th Street taps to meet its future water demands; and

WHEREAS, the City and Bellevue, since early 1981, have been studying alternatives to meet their respective pumping needs and determined that it is in the best interest of the City and Bellevue, as it is more economical, to construct a single pump station (instead of two pumping stations, one for each city) with 89 feet of head pumping capacity at NE 8th Street and 79 feet of head pumping capacity at SE 28th Street taps which will meet the City's obligation to provide a minimum head to Bellevue at the said two taps and will also provide Bellevue with additional head required for its system, and

WHEREAS, RCW 39.34.010 provides that the purpose of the Interlocal Cooperation Act is to "permit local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities."

WHEREAS, the two proposed pump stations are included in both the City's and Bellevue's current and approved Capital Improvement Programs, now therefore;

IN CONSIDERATION of the premises and the mutual covenants and agreements herein contained the parties agree to construct and share the cost of the proposed pumping station and operate the proposed pumping station pursuant to the following terms and conditions:

1. Term

   The term of this Agreement shall commence and become effective upon the execution of this Agreement by both parties. The term of this Agreement shall be co-extensive with the term of the Water Purveyor Contract; however, in the event the pump stations are permanently removed from service in accordance with Section 11 of this Agreement, then this Agreement shall be void and of no future effect. In no event shall the term of this Agreement be less than 15 years.

2. Change in Minimum Hydraulic Gradient

   By execution of and in consideration of the mutual promises contained in this agreement, the City's operational obligation to provide water service to the following Bellevue taps is reduced from Minimum Hydraulic Gradients established in the "Water Purveyor Contract" to the following new Minimum Hydraulic Gradients. These new minimum hydraulic gradients are subject to the provisions of the "Water Purveyor Contract".

LOCATION	MINIMUM HGL ESTABLISHED IN WATER PURVEYOR CONTRACT	NEW MINIMUM HGL
140th Ave NE & NE 40th St	520	490
132nd Ave NE & NE 14th St	505	460
132nd Ave NE & NE 24th St	475	445
152nd Ave NE & NE 8th St	485	450
145th Place SE & SE 28th St	500	460

3. Scope of The Project:

For the purposes of this Agreement, the Project shall include the acquisition of sites and all engineering and construction work related to the pumping station buildings, the pumps, pipelines and valves on the pumping station property including suction and discharge piping to City's transmission line. The New master meter(s) on the City's supply line which will serve the pumping station shall not be a part of this project and shall be solely the responsibility of the City of Bellevue. The City shall give Bellevue a credit for the existing meters and valves toward the cost of the new meter(s) pursuant to the terms of Section III of the "Water Purveyor Contract."

4. Land Procurement

The City agrees to acquire real property at NE 8th St. & S.E. 28th St. tap location, of a size suitable for construction, operation and maintenance of the two pump stations mentioned herein. Bellevue shall share in the cost of such acquisition. It shall pay the City 60 percent of the cost of the property for the N.E. 8th St. Pump Station and 50 percent of the cost of the property for the S.E. 28th

St. Pump Station within 30 days of receipt of invoice from the City for acquisition of each parcel of property by the City.

5. Design and Construction

The City shall take all necessary steps to provide for the design and construction, including construction administration and inspection, of the two pump stations, subject to written approval of the design, plans and specifications, and construction by Bellevue in accordance with this Agreement; Bellevue agrees not to unreasonably withhold such approval, the estimated cost of the two pump stations including site acquisitions is $1,558,000 (1983 dollars, ENR 4506).

The City has previously furnished Bellevue with three copies of the plans and specifications for review and approval by Bellevue at three stages in the final design. The first stage was when the final design was thirty percent (30%) complete, the second stage was when the final design was ninety percent (90%) complete, and the third stage was when the final design was one hundred percent (100%) complete. Each stage was approved by Bellevue.

The City shall be the contracting "owner" with the contractor and shall be responsible for all phases of the construction and completion of the two pumping stations in accordance with the approved plans. The City shall coordinate and keep Bellevue informed of the contractor's progress during construction. Upon completion of the work in accordance with the approved plans and the satisfactory testing of the two pump stations for continuous operation at its rated capacity, the City shall notify Bellevue of the date and time of the final construction inspection. Such notice shall be furnished

to Bellevue in writing, two weeks before the date of final construction inspection. Bellevue personnel may accompany the City's personnel and inspector on final inspection for purposes of creating a final checklist (punchlist) for the construction contractor to complete. Upon satisfactory completion by the contractor of the checklist (final punch list), Bellevue shall furnish its written approval of the construction to the City. The City's acceptance of the work shall be by certification of the Board of Public Works. A copy of such certification shall be furnished to Bellevue.

The City shall furnish Bellevue with a copy of the advertisements for bids and shall make available bids received for review by Bellevue, and the City shall recommend the award of a contract to the bidder regarded by the City as the lowest and best bidder. The City shall provide Bellevue with a copy of the contract and notice to proceed and approval thereof by the City. Change Order additions which constitute extras and increase the contract price more than one percent (1%) shall be approved or disapproved by Bellevue before the work is performed. Bellevue shall either approve or disapprove such Change Order in writing within 15 working days of receipt of the proposed Change Order. The proposed Change Order shall be delivered personally or by registered mail to the Utilities Engineer, City of Bellevue. Failure of Bellevue to respond within 15 working days of receipt of same shall be deemed approval of the Change Order by Bellevue.

6. Sharing of Costs

The City shall be responsible for paying all of the costs of design and construction of the two pump stations for which it shall receive reimbursement from Bellevue of 60 percent of that amount for NE 8th St. Pump Station and 50 percent of that amount for SE 28th St. Pump Station. Bellevue's estimated share of the cost is $869,800. A copy of the current cost estimate of $1,558,000 dated 3-17-83 is attached for reference. Both the City and Bellevue shall maintain separate accounting of its costs associated with the pump stations. The effective starting date for such accounting for the purposes of cost sharing for N.E. 8th St. Pump Station is established as August 23, 1982. The date for S.E. 28th St. Pump Station is established as December 10, 1982. City's share of the cost of design and construction of the Two pump stations shall not exceed $757,000.00.

An itemization of the costs for the purposes of calculating the shared cost amounts between the City and City of Bellevue associated with the design and construction period of the two pump stations, consist of the following items:

- Total Consultant fees for labor and expenses for design, construction administration assistance, startup assistance, and/or other directly related assistance as may be required during the design/construction period for the two pump stations, shall be shared costs.

- Total construction costs including approved change order extras for the two pump stations shall be shared costs.

- Total labor and expenses incurred by both the City and Bellevue associated with the land procurement, design and construction review, inspection, and administration shall be shared costs.

Both the City and Bellevue shall compensate the other for interest lost by the other party as a result of incurring the other party's share of the above itemized expenses during the period between the effective starting dates of August 23, 1982 for the N.E. 8th St. Pump Station and December 10, 1982 for the S.E. 28th St. Pump Station, and the date this Agreement is executed. Interest shall be calculated based on the daily Seattle First National Bank Prime Interest Rate(s) in effect during that period.

The City shall endeaver to obtain other funding for the costs of the two pump stations by making application for grants of funds as may be available from federal and/or state agencies. Any grants of funds awarded for the two pump stations shall be credited toward each of the parties total share for design and construction in the same percentages as aforementioned.

Any future LID assessments to the Pump Station Properties located at NE 8th St . and SE 28th St taps shall be borne by each of the parties in the same percentages as aforementioned.

7. Method of Payment

The City will prepare and forward a monthly invoice to Bellevue for its share of costs (including interest) of design and construction of the pump station, together with a copy of the bills/invoices

received by the City from its consultants, contractors, and other third parties for costs of design and construction for the Project. Bellevue shall pay such costs within thirty (30) days of receipt of invoice from the City. Bellevue shall provide the City with an accounting of its costs chargeable to the Project and City shall pay or offset such allowable expenses within 30 days of receipt thereof. If Bellevue fails to make full invoice payment within said thirty (30) days, then penalty interest shall accrue on the unpaid amount at the daily Seattle First National Bank Prime Interest Rate in effect at such time. The City shall account for such penalty interest and include the interest amount on the following monthly invoice.

8. Ownership and Rights

Bellevue shall obtain ownership of the pumping stations along with all the piping and appurtenances on the discharge side of the City of Seattle's newly installed master meter at NE 8th St. and the existing master meter at SE 28th St. pumping station. In consideration of the City's payment of 40% of the cost of the NE 8th St. Pumping Station and the real property on which it is situated and payment of 50% of the cost of the SE 28th St. Pumping Station and the real property on which it is situated and conveyance by the City to Bellevue upon completion of the two pumping stations of title to real property described below; Bellevue conveys and the City accepts a 40% interest in the pumping capacity of the NE 8th Pumping Station and a 50% interest in the pumping capacity of the SE 28th St. Pumping Station for the useful life of the facilities. Such capacity is necessary to enable Seattle to fulfill its

obligation to supply Bellevue with the quantity of water at the pressure required by the "Water Purveyor Contract". The additional water pressure capacity generated by the proposed pump station will be a valuable water system asset and an additional and betterment of the Seattle Water Department water supply system.

In consideration of Bellevue's payment of 60 percent of the cost of the N.E. 8th St. Pumping Station and the real property upon which it is situated and payment of 50 percent of the cost of the S.E. 28th St. Pumping Station and the real property on which it is situated; and Bellevue's conveyance to the City of a 40 percent interest in the pumping capacity of the N.E. 8th St. Pumping Station and a 50 percent interest in the pumping capacity of the S.E. 28th St. pumping station; the City conveys upon the completion of the two pumping stations and Bellevue accepts title to the real property legally described below including improvement thereon:

LEGAL DESCRIPTION OF PROPERTY FOR THE SE 28TH PUMPING STATION

That portion of the southeast quarter of the northeast quarter of Section 10, Township 24 North, Range 5 East W.M., in King County, State of Washington, described as follows:

Beginning at the intersection of the south margin of Southeast 28th Street as conveyed by deed recorded under King County Recording Number 100758, and the southwesterly margin of 146th Place Southeast as established in 1947 as the Newcastle Road Revision; thence westerly along said south margin a distance of 5.00 feet to the true point of beginning; thence continuing westerly along said south line a distance of 100.00 feet; thence south at right angles to said south margin a distance of 130.00 feet; thence east along a line parallel with said south margin a distance of 100.00 feet; thence north at right angles to the last described line a distance of 130.00 feet to the point of beginning (containing an area of 13,000 square feet).

LEGAL DESCRIPTION OF PROPERTY FOR THE NE 8TH ST. PUMPING STATION

The east 100 feet of the south 115 feet of the southwest quarter of the southwest quarter of Section 26, Township 25 North, Range 5 East W.M., in King County, Washington; Except portion thereof conveyed to City of Bellevue and King County for 148th Avenue Northeast and Northeast 8th by deeds recorded under King County Recording Numbers 4970968, 5586059, 5741044, and 7802020299.

9. Operation and Maintenance

Bellevue shall be responsible for providing necessary personnel, material and supplies, for the proper operation and maintenance of the two pump stations after they are put into service. Bellevue shall be responsible for paying all of the costs for ordinary and routine operation and maintenance of the two pump stations. The replacement, repair or overhauling of any pump, pipeline or valve within the shaded area shown in Exhibits C and D which costs more than $1,000 per pump station (including Bellevue and/or City labor costs) shall be shared by the parties in accordance with the aforementioned percentages; provided that the City's share of the cost for such replacement, repair or overhauling shall not exceed $5,000 per pump station, unless the City has consented to and approved in writing such replacement, repair, or overhauling. In addition, the cost of electrical energy required to operate the pumping station shall be borne in the aforementioned percentages by Bellevue and the City.

All other electrical energy that may be used at the pumping station site shall be borne by Bellevue.

Bellevue will prepare and forward a monthly invoice to the City, together with a copy of the current electric bill and copies of charges for repair or replacement for the period for which the City is invoiced. The City shall remit invoice payment to Bellevue

within thirty (30) days after receipt of invoice. If the City fails to make full invoice payment within said thirty (30) days, then penalty interest shall accrue on the unpaid amount at the daily Seattle First National Bank Prime Interest Rate in effect at such time. Bellevue shall account for such penalty interest and include the interest amount on the following monthly invoice.

The City and Bellevue shall agree in writing before the two pump stations are put in operation on general operating procedures, and Bellevue shall notify the City, in writing, when it deviates from agreed upon procedures.

A sample tap at each of the two pump stations shall be maintained by Bellevue for monitoring the water quality of the water passing from the City's East Side Supply Line into the Bellevue's system as required by the State Department of Social and Health Services.

10. Pump Station Change

Bellevue or City may change the pump size in either of the two pump stations as reasonably required subject to the prior approval of the other party which shall not be unreasonably withheld. The terms of such changes shall be negotiated between the City and Bellevue at such time as pumping station change becomes necessary.

11. Salvage

Should the useful life of either of the two pump stations become obsolete, and salvage operations become desirable for whatever reason, Bellevue or City shall make proposal of said disposition to the other party, and obtain written acceptance of this proposal from

other party before conducting salvage operations. The costs and benefits of a salvage operation to either of the two pump stations including the land shall be shared in the aforementioned percentages.

12. Indemnity

Bellevue agrees to defend, save harmless, and indemnify the City from and against any and all claims and demands for injury or death to persons and/or damage to property arising out of the operation and maintenance of the pumping stations by Bellevue except as may be caused by the acts and negligence of the City, its agents, servants, or employees, or through acts of nature.

The City agrees to defend, save harmless, and indemnify Bellevue from and against any and all claims for injury or death to persons and for damage to property arising out of the construction and operation of the pumping stations until they are conveyed to Bellevue except as may be caused by the acts and negligence of Bellevue, its agents, servants, or employees, or through acts of nature.

The City's Consultant shall be required to maintain professional liability insurance with limits of not less than $1,000,000.00.

13. Assignability

The City and/or Bellevue may assign its interest to a legally constituted regional water authority after 30 days prior written notice to the other party to this agreement. This agreement shall be binding upon all successors and assignees of the parties, who must be public agencies.

14. Either party may request in writing the other party to consider an amendment to this Agreement. If the amendment is mutually acceptable to both parties said Agreement shall be made in writing, signed by both parties and attached to this Agreement.

IN WITNESS WHEREOF, the CITY has caused this Agreement to be executed by its Superintendent of Water pursuant to Ordinance #111276

CITY OF SEATTLE

By: Kenneth M. Lowthian
KENNETH M. LOWTHIAN
Superintendent of Water

Date: 8/24/83

CITY OF BELLEVUE

By: for ANDREA BEATTY
City Manager

Date: 8/17/83

APPROVED AS TO FORM:

By:
Bellevue City Attorney

Date: August 4 1983

JSR:sb
7/19/83

EXHIBIT A

CIP CONSTRUCTION PROJECTS - PROJECT BUDGET DETAIL

[1] Project Title	[2] Project ID No.
TESS Pump Station at N.E. 8th St.	8857

	BASE BUDGET ESTIMATE* SEATTLE ENR = 4506	
I. PRECONSTRUCTION PHASE		
A. Engineering Labor	24,000	
B. Non Labor (Auto, Equip, Repo, etc.)		
C. Engineering Consultant		
TOTAL PRECONSTRUCTION ESTIMATE	76,000	
	I.$	100,000
II. RIGHT OF WAY PHASE		
A. Engineering Labor		
B. Non Labor		
C. Property Costs		
TOTAL RIGHT OF WAY ESTIMATE		
	II.$	52,000
III. CONSTRUCTION PHASE		
A - 1. Engineering Labor SWD___ or SED___	66,000	
2. Non Labor		
3. BPW, Advertise, Human Rights		
TOTAL CONSTRUCTION ENGR ESTIMATE		
	III-A.$	66,000
B - 1. Outside Contractor	682,000	
TOTAL OUTSIDE CONTRACTOR ESTIMATE		
	III-B.$	682,000
C - 1. SWD Construction Labor	8,000	
2. Non Labor		
TOTAL SWD CONSTRUCTION ESTIMATE		
	III-C.$	8,000
TOTAL CONSTRUCTION ESTIMATE	III.$	756,000
IV. ARTWORK, 1% OF IN-CITY PORTION OF III-B	IV.$	
V. TOTAL ENGINEERING ESTIMATE	(I+II+III-A) $	218,000
VI. TOTAL CIP PROJECT ESTIMATE (BASE)	(I+II+III+IV) $	908,000

Range of Costs:

$726,000 (80% of Base (VI.)) to $999,000 (Base (VI.) + 10 % Contingency)

Project Manager Comments:

*All costs based on January 1983 costs.

EXHIBIT B

CIP CONSTRUCTION PROJECTS - PROJECT BUDGET DETAIL

[1]Project Title	[2]Project ID No.
TESS Pump Station at S.E. 28th St.	8857

	BASE BUDGET ESTIMATE* SEATTLE ENR = 4506	
I. PRECONSTRUCTION PHASE		
A. Engineering Labor	14,000	
B. Non Labor (Auto, Equip, Repo, etc.)		
C. Engineering Consultant	73,000	
TOTAL PRECONSTRUCTION ESTIMATE	I.$	87,000
II. RIGHT OF WAY PHASE		
A. Engineering Labor		
B. Non Labor		
C. Property Costs		
TOTAL RIGHT OF WAY ESTIMATE	II.$	65,000
III. CONSTRUCTION PHASE		
A - 1. Engineering Labor SWD___ or SED___	60,000	
2. Non Labor		
3. BPW, Advertise, Human Rights	4,000	
TOTAL CONSTRUCTION ENGR ESTIMATE	III-A.$	64,000
B - 1. Outside Contractor	429,000	
TOTAL OUTSIDE CONTRACTOR ESTIMATE	III-B.$	429,000
C - 1. SWD Construction Labor	5,000	
2. Non Labor		
TOTAL SWD CONSTRUCTION ESTIMATE	III-C.$	5,000
TOTAL CONSTRUCTION ESTIMATE	III.$	498,000
IV. ARTWORK, 1% OF IN-CITY PORTION OF III-B	IV.$	
V. TOTAL ENGINEERING ESTIMATE	(I+II+III-A) $	216,000
VI. TOTAL CIP PROJECT ESTIMATE (BASE)	(I+II+III+IV) $	650,000

Range of Costs:

$520,000 (80% of Base (VI.)) to $715,000 (Base (VI.) + 10 % Contingency)

Project Manager Comments:

*All costs based on January 1983 costs.

EXHIBIT C

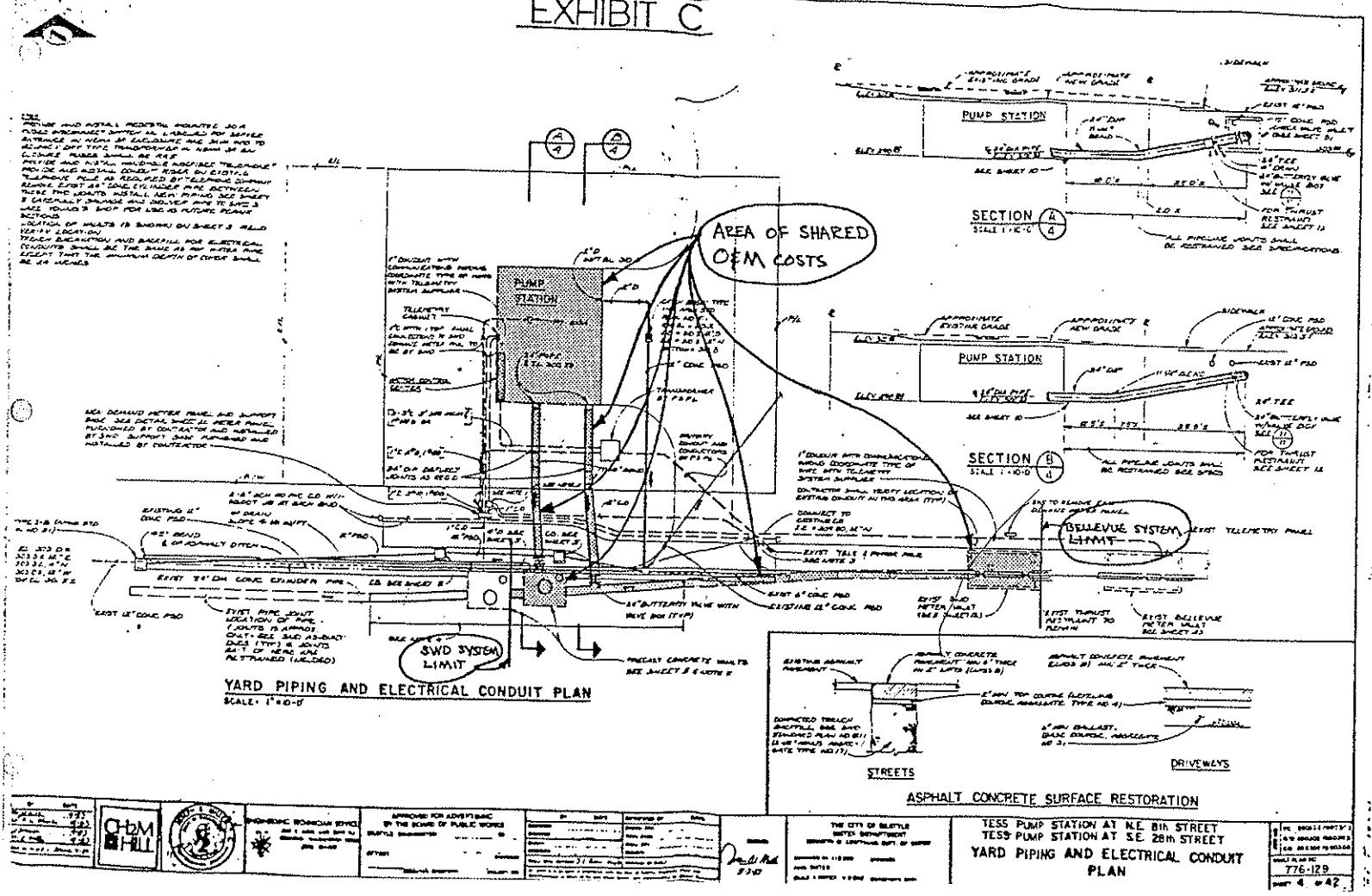
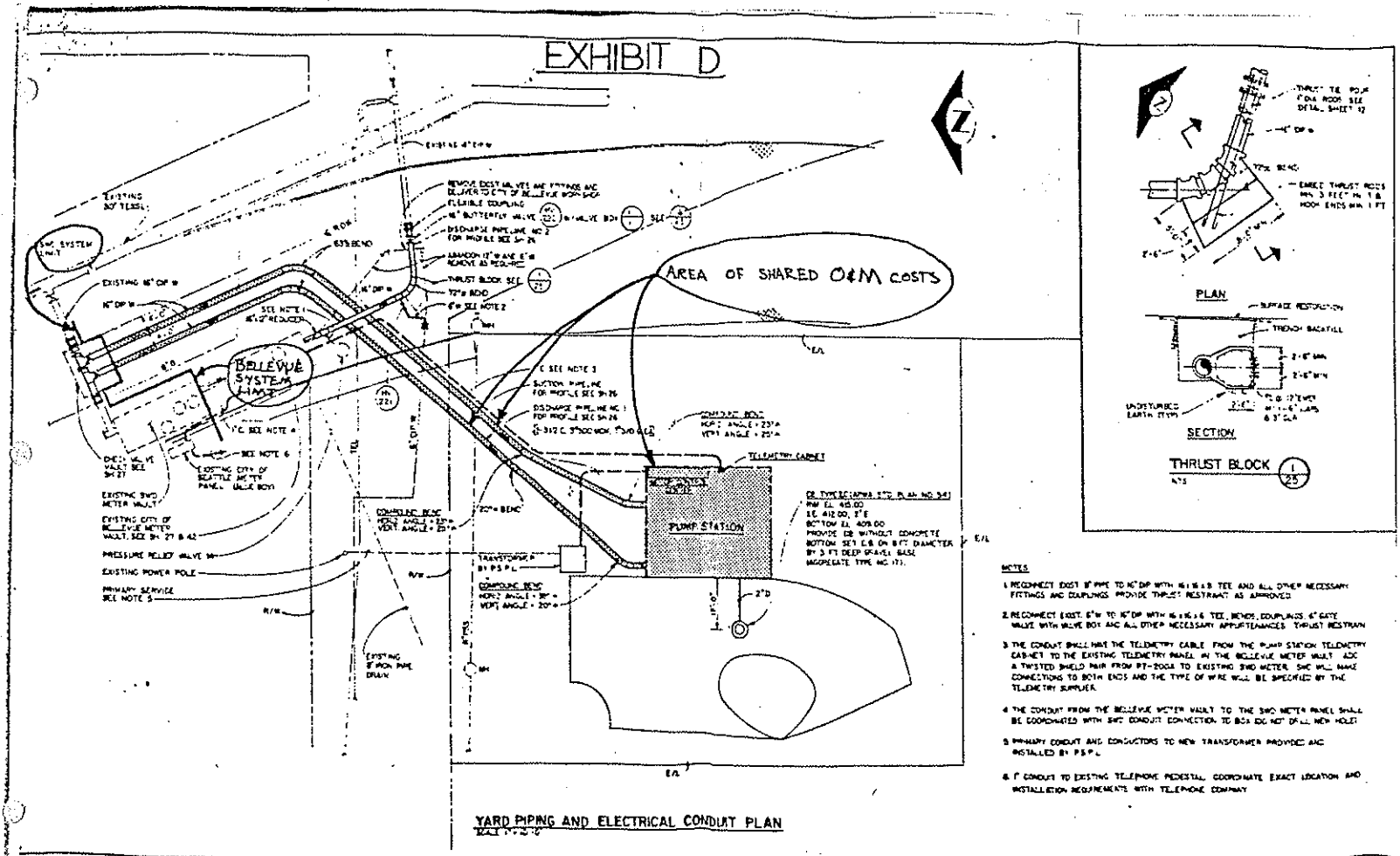

AREA OF SHARED O&M COSTS
PUMP STATION
SECTION A/4
SECTION B/4
BELLEVUE SYSTEM LIMIT
SWD SYSTEM LIMIT
YARD PIPING AND ELECTRICAL CONDUIT PLAN
SCALE: 1"=10'-0"
STREETS
DRIVEWAYS
ASPHALT CONCRETE SURFACE RESTORATION
CH2M HILL
TESS PUMP STATION AT N.E. 8th STREET
TESS PUMP STATION AT S.E. 28th STREET
YARD PIPING AND ELECTRICAL CONDUIT PLAN
776-129
SHEET 4 OF 42

EXHIBIT D



YARD PIPING AND ELECTRICAL CONDUIT PLAN

NOTES

1. RECONNECT EXIST. 16" PIPE TO 16" DIP WITH 16 x 16 x 8 TEE AND ALL OTHER NECESSARY FITTINGS AND COUPLINGS. PROVIDE THRUST RESTRAINT AS APPROVED.
2. RECONNECT EXIST. 6" W TO 16" DIP WITH 16 x 16 x 6 TEE, BENDS, COUPLINGS, 6" GATE VALVE WITH VALVE BOX AND ALL OTHER NECESSARY APPURTENANCES. THRUST RESTRAIN.
3. THE CONDUIT SHALL HAVE THE TELEMETRY CABLE FROM THE PUMP STATION TELEMETRY CABINET TO THE EXISTING TELEMETRY PANEL IN THE BELLEVUE METER VAULT. ADD A TWISTED SHIELD PAIR FROM PT-2004 TO EXISTING SWD METER. SWC WILL MAKE CONNECTIONS TO BOTH ENDS AND THE TYPE OF WIRE WILL BE SPECIFIED BY THE TELEMETRY SUPPLIER.
4. THE CONDUIT FROM THE BELLEVUE METER VAULT TO THE SWD METER PANEL SHALL BE COORDINATED WITH SWD CONDUIT CONNECTION TO BOX (DO NOT DRILL NEW HOLE).
5. PRIMARY CONDUIT AND CONDUCTORS TO NEW TRANSFORMER PROVIDED AND INSTALLED BY PSPL.
6. 1" CONDUIT TO EXISTING TELEPHONE PEDESTAL. COORDINATE EXACT LOCATION AND INSTALLATION REQUIREMENTS WITH TELEPHONE COMPANY.

CH2M HILL

APPROVED FOR ADVERTISING BY THE BOARD OF PUBLIC WORKS SEATTLE, WASHINGTON

THE CITY OF SEATTLE WATER DEPARTMENT

TESS PUMP STATION AT S.E. 28TH STREET

YARD PIPING AND ELECTRICAL CONDUIT PLAN

776-129

Water District #1

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511077.02

INTERLOCAL AGREEMENT
for
PURCHASE OF WATER SUPPPLY, SYSTEM IMPROVEMENTS
AND MAINTENANCE & OPERATIONS
BETWEEN
CITY OF BELLEVUE AND KING COUNTY WATER DISTRICT NO. 1

AMENDMENT NO. 2

THIS AGREEMENT is made by and between the City of Bellevue, a municipal corporation, in King County, Washington ("Bellevue"), and King County Water District No. 1 ("District") for the purposes set forth herein.

RECITALS

WHEREAS, on January 29, 2004, the City of Bellevue and King County Water District No. 1 entered into an Interlocal Agreement to provide for the maintenance and operation of the District's water system by the City, leading to the eventual assumption of the District's water facilities and service area by the City and the dissolution of the District; and

WHEREAS, the ILA provides that Bellevue will assume the District after the effective date of specific legislation authorizing such assumption and upon the disbursement of all cash assets of the District; and

WHEREAS, legislation authorizing the assumption is now effective, but the District has not completed disbursement of cash assets; and

WHEREAS, on August 10, 2005, Bellevue and the District executed Amendment No. 1 to the ILA revising, among other things, the ILA's indemnification section; and

WHEREAS, with the exception of the disbursements, Bellevue has taken over all operation and maintenance of the District water system, requiring amendment to the ILA's indemnification provision;

NOW, THEREFORE, Paragraph II.J of the above-reference Interlocal Agreement and Amendment No. 1 between King County Water District No. 1 and the City of Bellevue, effective January 29, 2004 and August 10, 2005, respectively, are hereby amended to read as follows:

II. TERMS OF AGREEMENT

J. Liability for Claims and Damages -- Indemnity and Hold Harmless. The City shall protect, defend, indemnify and save harmless the District, its officers, official, employee and agents, from any and all costs, claims, judgments and/or awards of damages, arising out of, or in any way resulting from, the operation, maintenance, improvement, repair, replacement and management of the water supply system serving the District. The District shall protect, defend, indemnify and save harmless the City, its officers, official, employee and agents, from any and all costs, claims, judgments and/or awards of damages, arising solely

out of, or in any way resulting solely from, the acts or omissions of the District commissioners and agents and the calculation of customer subsidies on bills. Except as provided above in this Section, each party shall protect, defend, indemnify and save harmless the other, its officers, officials, employees and agents, while acting within the scope of their employment as such, from any and all costs, claims, judgments and/or awards of damages, arising out of, or in any way resulting from, each party's own negligent acts or omissions. Each party agrees that its obligations under this Section extend to any claim, demand and/or cause of action brought by, or on behalf of, any of its employees or agents. For this purpose, each party, by mutual negotiation, hereby waives, with respect to the other party only, any immunity that would otherwise be available against such claims under the Industrial Insurance provisions of Title 51 RCW. If any party incurs any judgment, award and/or cost arising therefrom, including attorneys' fees, to enforce the provisions of this Section, all such fees, expenses, and costs shall be recoverable from the responsible party to the extent of that party's culpability.

Remaining Terms. All remaining terms of the existing 2005 Water Facilities Agreement, as amended by Amendment No. 1, remain in effect, copies of which are attached hereto.

Amendment Effective Date. This Amendment No. 2 shall take effect on the fifth day after approval by the legislative bodies of both parties and due execution as set forth below. This Amendment No. 2 may be signed in counterparts and, if so signed, shall be deemed as one integrate document.

Approved as to Form
Bellevue Legal Counsel

By Lori Hahn
Its Asst City Atty
Dated 9/23/15

CITY OF BELLEVUE ("Bellevue")

By
Its Dep. City Mgr
Dated 9/28/2015

King County Water District No. 1 Legal Counsel

By Rod Kuseyama
Its Legal Counsel
Dated 9/30/15

KING COUNTY WATER DISTRICT NO. 1 ("District")

By
Its President
Dated 9/30/2015

CR#37991 DATE 08.10.05 Loc 05.659 PO 511077

INTERLOCAL AGREEMENT
for
PURCHASE OF WATER SUPPLY, SYSTEM IMPROVEMENTS
AND MAINTENANCE & OPERATIONS
BETWEEN KING COUNTY WATER DISTRICT NO. 1 AND THE CITY OF BELLEVUE

AMENDMENT NO.1

Paragraphs II. D., G. and J. of the above-referenced interlocal agreement between King County Water District No. 1 and the City of Bellevue effective January 29, 2004 are hereby amended to read as follows:

II. TERMS OF AGREEMENT

D. Temporary Water Supply and Emergency Intertie.

1. If the District's water supply is interrupted during the construction and testing of system improvements required under this Agreement, the City shall provide water supply on a temporary basis in accordance with the existing intertie agreement, entitled "Letter of Understanding—Addendum to D.E. Agreement, Emergency Intertie with Bellevue Water System," between the District and the City.

2. The District and the City further agree to work cooperatively in the construction of an additional joint emergency intertie with the City of Kirkland to provide backup emergency water supply consistent with King County Water District No. 1 Resolution No. 2005-5 passed March 7, 2005 as follows:

a. Scope of Work. The project shall include engineering, construction, easement acquisition and permitting related to the emergency intertie consisting of an eight-inch water main and associated valving connected between a City of Kirkland water main located at NE 38th Street and 96th Avenue NE and a Water District No.1 water main located at NE 38th Street and 95th Avenue.

b. Project Lead. Bellevue shall be the lead agency charged with the responsibility for the design, construction, easement acquisition, permitting and obtaining City of Kirkland approval for the emergency intertie and shall provide copies of the 50% and 90% project plans to Water District No. 1 for its review and comment.

c. Cost Sharing. Bellevue shall pay all costs of design, construction, easement acquisition, permitting and costs of City of Kirkland approval for the emergency intertie as they occur. Upon completion of the intertie project, Bellevue shall forward an invoice together with project cost documentation to the Water District who shall reimburse Bellevue for 50% of the project costs up to a maximum of $55,000.

G. Customer Billing. Upon commencement by the City of operation and maintenance of the District's water system, the City will bill each individual District customer directly on the same rate schedule as a Bellevue customer. The City may utilize its collection process procedures in the event of non-payment by any District customer and if the collection process is unsuccessful

reserves the right to obtain payment directly from the District. The City will provide the District with water usage figures for each of its customers by address on a bi-monthly basis. The District will use those figures to calculate and structure any District subsidy of customer bills in a manner that encourages water conservation.

J. Liability for Damage Indemnity and Hold Harmless. Each party shall protect, defend, indemnify and save harmless the other, its officers, officials, employees and agents, while acting within the scope of their employment as such, from any and all costs, claims, judgments and/or awards of d damages, arising out of, or in any way resulting from, each party's own negligent acts or omissions. Each party agrees that its obligations under this paragraph extend to any claim, demand and/or cause of action brought by, or on behalf of, any of its employees or agents. For this purpose, each party, by mutual negotiation, hereby waives, with respect to the other party only, any immunity that would otherwise be available against such claims under the Industrial Insurance provisions of Title 51 RCW. If any party incurs any judgment, award and/or cost arising therefrom, including attorneys' fees, to enforce the provisions of this paragraph, all such fees, expenses, and costs shall be recoverable from the responsible party to the extent of that party's culpability. After the City takes over operations and maintenance of the District's distribution system per Section IIA, the City shall be liable for any claims or damages arising from such operations and maintenance. The District shall retain all liability not assigned to the City, including but not limited to third party liabilities resulting from:

1. The transition of service from the District to the City's supply system.

2. Construction of upgrades to the District water supply system as required by this Agreement.

3. Ownership and management of the District wells, transmission line, reservoirs, and real property.

4. Leaks or breaks in the District water supply system water mains that have not been replaced after the effective date of this Agreement.

5. Prior and future actions of the District commissioners and agents.

6. Calculation or miscalculation of subsidy amounts.

All other terms and conditions of the agreement shall remain in full force and effect.

KING COUNTY WATER DISTRICT NO. 1 , Yarrow Point, Washington

By: _____ By: _____
President Secretary

Dated: 6/28/05

Approved as to form:

_____
Rod Kaseguma
Attorney for King County Water District No. 1

CITY OF BELLEVUE, WASHINGTON

By: _____
Ed Oberg
Deputy City Manager

Approved as to form:

_____
Patrice C. Cole
Assistant City Attorney

1100-RES
1/2/2004

ORIGINAL

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 6952

A RESOLUTION authorizing execution of an Interlocal Agreement for purchase of water supply system improvements and maintenance and operations between King County Water District No. 1 and the City of Bellevue.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized to execute an Interlocal Agreement for purchase of water supply system improvements and maintenance and operations between King County Water District No. 1 and the City of Bellevue, a copy of which Agreement has been given Clerk's Receiving No. 35121.

Passed by the City Council this 20th day of January, 2004, and signed in authentication of its passage this 20th day of January, 2004.

(SEAL)

Connie B. Marshall
Connie B. Marshall, Mayor

Attest:

Myrna L. Basich
Myrna L. Basich, City Clerk

04-138

REC NO. 35121
CITY OF BELLEVUE
DATE 1/21/04
CITY CLERK'S OFFICE
CCO FILE# 04-138
DES 6952

INTERLOCAL AGREEMENT
for
PURCHASE OF WATER SUPPLY, SYSTEM IMPROVEMENTS
AND MAINTENANCE & OPERATIONS
BETWEEN KING COUNTY WATER DISTRICT NO. 1 AND THE CITY OF BELLEVUE

THIS AGREEMENT is made and entered into by and between King County Water District No. 1, a municipal corporation in King County, Washington, hereinafter referred to as "District" and the City of Bellevue, a municipal corporation in King County Washington, hereinafter referred to as "Bellevue" or "City."

THE PURPOSE AND INTENT of this Agreement is to provide for the maintenance and operation of the District's water system by the City, leading to the eventual assumption of the District's water facilities and service area by the City and the dissolution of the District. Water is to be supplied by the City from its sources, which will allow the sale of the District-owned well site preserve lands. The parties to this Agreement intend to work cooperatively on all administrative matters and legislation that may be required.

I. RECITALS

A. The District provides water supply and distribution service to a geographic area lying entirely within the boundaries of the Town of Yarrow Point, Washington. The District serves approximately two hundred eleven (211) mainly residential customers. Water is supplied from wells on District-owned property that lies within the City of Kirkland. The water is then piped from the well site, down to the shores of Lake Washington and through a submarine water line on the bed of the lake to the District service area. The water is then chlorinated and pumped into the District's distribution system and two water storage reservoirs. The District's water distribution system is around 50 years old and generally of smaller size than current standards. There are no customer water meters. Billing is on an annual, flat fee basis. The District's water supply is adequate in quantity and safe in quality but recently promulgated State of Washington water supply regulations make such a water supply more difficult to protect and operate.

B. The City provides water supply and distribution services to City residents and businesses, and to adjacent communities including the remainder of the Town of Yarrow Point not served by the District. The City water supply is currently provided by the Cascade Water Alliance from City of Seattle sources.

C. There is an intertie between the water distribution systems of the two parties that currently provides for emergency water supply from the City to the District. Provisions have been made within that intertie for future installation of a larger water meter to allow for supplementary water supply for improved fire protection, if subsequently agreed upon.

D. The parties have statutory authority to enter into this Interlocal Agreement. Current State statutes do not provide the authority for the City to assume ownership of the District system at this time. Legislation to amend statutes to allow such an assumption will be pursued by the parties.

E. City policy is supportive of supplying water to and ultimately assuming the District, provided that the District's water distribution system is brought up to a condition level that is comparable to that of the City. City policy also provides that the City will not subsidize provision of water service to other jurisdictions.

THEREFORE, in consideration of the terms and conditions contained herein, the parties mutually agree as follows:

II. TERMS OF AGREEMENT

A. Operations and Maintenance of District System. After (1) District completion of the water system improvements pursuant to this Agreement, (2) Bellevue receipt of approval to provide water supply to the District, and (3) District isolation of the District's wells, transmission line and reservoirs from the District's water system, the City shall operate and maintain the District's water supply system in accordance with this Agreement and applicable laws and regulations. By operating and maintaining the District water system, the City will treat the system as an integral part of its own water system, on matters and responsibilities such as operations, maintenance, capital improvements, water system management, water quality management, development review, enforcement, customer services, and other programs in the City water service area.

B. Water Supply Approval. Bellevue shall use its best efforts to obtain approval of its wholesale water supplier to provide water to the District. If Bellevue fails to obtain such approval within one year of the effective date of this Agreement, either party may terminate this Agreement by filing written notice with the other party. The rights and duties of the parties under this Agreement shall be stayed until such approval; provided, that the parties may at their option proceed with design and planning of the system improvements described in this Agreement pending such approval. The City shall give the District monthly written reports on its progress in obtaining such approval.

C. Improvements to District System. Upon receipt of the proceeds of the sale of the District-owned property in the City of Kirkland, the District shall initiate and complete the system improvements and actions described in this paragraph. The District shall pay for all costs related to such improvements and actions. All system improvements performed by the District or under the District's direction shall be reviewed and approved by the City and be done in accordance with City standards.

1. The District shall add and replace sufficient District system water mains so that the weighted average age by length of the distribution mains is equal to or newer in age

than mains within Bellevue's current water system, which is 31 years. All District water mains made from materials other than asbestos cement or ductile iron shall be replaced, unless otherwise approved by the City.

2. Water meters and meter boxes shall be installed at each District customer service. Meters shall be sized per applicable building official requirements. Where required by Bellevue adopted standards, fire protection system meters shall be provided and installed.

3. The District water system shall be upgraded to maintain a minimum of 1,000 gallons per minute fire flow at all hydrants on 91st, 92nd, 94th, and 95th Avenues NE. All other hydrants in the District system shall be upgraded as necessary to maintain a minimum of 1,000 gallons per minute fire flow or to meet the requirements of the Fire Marshal, whichever is less.

4. The District shall be responsible for having approved backflow prevention assemblies per City standards installed on all known cross connections.

5. The District shall isolate the District's water source, transmission line, and reservoirs from the District's water distribution system.

Bellevue shall decide upon and fund any further system improvements.

Upon mutual agreement of the City and District, the City may provide engineering services to complete District system improvements as required under Section II. C. of this Agreement. Should the City provide these services, the District shall reimburse the City for such services.

D. Temporary Water Supply. If the District's water supply is interrupted during the construction and testing of system improvements required under this Agreement, the City shall provide water supply on a temporary basis in accordance with the existing intertie agreement, entitled "Letter of Understanding—Addendum to D.E. Agreement, Emergency Intertie with Bellevue Water System," between the District and the City.

E. Fees and Charges. The District agrees to pay the City or other designated agencies the following fees and charges, which will be due at the time that the City undertakes operation and maintenance of the District's system.

1. The appropriate amount of Capital Recovery Charges (CRC) as required by City ordinances for all new City residential customers to buy into a fair share of the City's capital facilities that provide water supply and distribution. The amount to be paid will be based on the sum of all charges that would normally accrue to each individual service.

2. Funds to be added to existing Bellevue operating and capital replacement reserves in an amount prorated based upon the number of equivalent residential units in the District as compared to existing funds in such reserve accounts divided by the existing number of equivalent residential units served by the City.

3. Cascade Water Alliance (CWA) Regional Capital Facilities Charges (RCFC) current at the time of payment for each single family equivalent unit as specified in City Ordinance No. 5427.

F. Cascade Water Alliance Membership. If Bellevue cannot represent District customer interests in the CWA, the District shall become a member of the CWA and the City shall pay for the District's CWA administrative dues.

G. Customer Billing. Upon commencement by the City of operation and maintenance of the District's water system, the City will bill each individual District customer account on the same rate schedule as a Bellevue customer, except that all bills will be sent to the District. If practical such bills shall be provided in an electronic format. The District will be responsible for paying the City all charges for customers of the District. Payment shall be due the City within 45 days of receipt of a bill. A late charge of 1% per month shall accrue for any past due payments. The District will convey all City billing information to each customer. Any District subsidy of customer bills shall be structured so that customer charges increase with increased usage in a manner that encourages water conservation.

H. District Supply Facilities. Prior to City operation and maintenance of the District's water system, the District shall isolate the District's wells, transmission line and reservoirs from the District's water system. Within five years of the effective date of this Agreement the District shall:

1. Decommission District wells, unless the District has transferred responsibility for decommissioning the wells to a purchaser of the property on which the wells are located.

2. Demolish/remove District reservoirs and transmission lines from the wells to the District system.

Facilities shall be decommissioned in accordance with requirements of the appropriate regulatory agencies. When the District sells the property on which the wells and reservoirs are located, the District shall cause all liabilities for the facilities and properties to be transferred to the new owners, including any obligations for hazardous waste mitigation.

I. Implementation of Bellevue Programs. The District shall adopt any necessary resolutions and/or legally assign responsibilities to allow Bellevue programs to be implemented and carried out within the District. Such programs shall be the same as those that are implemented within the water service area of the City. Such programs shall include but not be

limited to: water conservation, shortage management, water quality monitoring, cross connection control, development review, and enforcement. Consistent with Title 57 RCW, the District shall adopt any City water codes, standards, and written practices for application within the District.

J. Liability for Damage Indemnity and Hold Harmless. Each party shall protect, defend, indemnify and save harmless the other, its officers, officials, employees and agents, while acting within the scope of their employment as such, from any and all costs, claims, judgments, and/or awards of damages, arising out of, or in any way resulting from, each party's own negligent acts or omissions. Each party agrees that its obligations under this paragraph extend to any claim, demand and/or cause of action brought by, or on behalf of, any of its employees or agents. For this purpose, each party, by mutual negotiation, hereby waives, with respect to the other party only, any immunity that would otherwise be available against such claims under the Industrial Insurance provisions of Title 51 RCW. If any party incurs any judgment, award, and/or cost arising therefrom, including attorneys' fees, to enforce the provisions of this paragraph, all such fees, expenses, and costs shall be recoverable from the responsible party to the extent of that party's culpability. After the City takes over operations and maintenance of the District's distribution system per Section IIA, the City shall be liable for any claims or damages arising from such operations and maintenance. The District shall retain all liability not assigned to the City, including but not limited to third party liabilities resulting from:

1. The transition of service from the District to the City's supply system.

2. Construction of upgrades to the District water supply system as required by this Agreement.

3. Ownership and management of the District wells, transmission line, reservoirs, and real property.

4. Leaks or breaks in the District water supply system water mains that have not been replaced after the effective date of this Agreement.

5. Prior and future actions of the District commissioners and agents other than Bellevue.

K. Assumption of the District. The District and Bellevue shall jointly pursue state legislation to authorize Bellevue to assume ownership of the District system. After the effective date of such legislation and upon disbursement of all cash assets of the District, the District and Bellevue shall proceed with the full assumption of the District by Bellevue. If such legislation is not enacted within twenty years after Bellevue commences operation and maintenance of the District's water system, the parties would need to amend or extend this Agreement for Bellevue to continue providing water supply, maintenance and operations, and other services to the District.

L. Dissolution of District. After assumption as provided for in paragraph K, the District and Bellevue shall jointly petition for dissolution of the District pursuant to RCW 35.13A.080, or if such statute is no longer in effect, pursuant to any statute providing for dissolution of the District that is selected by the District and Bellevue.

M. Agreement Modifications. This Agreement constitutes the entire agreement of the parties with respect to the subject matter of the Agreement and may be modified only by an agreement in writing signed after due authorization by both parties.

N. Notices. Notices given or any documents to be delivered by either party to the other party shall be delivered in person or mailed and addressed to the respective parties at the following addresses, unless otherwise directed by the proper party as identified below:

To District at:	Bob Trimble, President King County Water District No. 1 4626 - 95th Avenue NE Yarrow Point, WA 98004-1320
To City at:	Lloyd Warren, Director Utilities Department City of Bellevue 301 - 116th Avenue SE, Suite 305 P.O. Box 90012 Bellevue, WA 98009-9012

O. Invalidated Provisions. If any provision of this Agreement is held to be invalid by the final judgment of a court of competent jurisdiction, the remainder of the Agreement shall be unaffected and shall remain in full force and effect.

P. Effective Date. This Agreement shall take effect on the fifth day after approval by the legislative bodies of both parties and due execution as set forth below.

Q. Signatures. This Agreement may be signed in counterparts and, if so signed, shall be deemed as one integrated document.

KING COUNTY WATER DISTRICT NO. 1, Yarrow Point, Washington

By: _____ President

Dated: 1/23/04

By: _____ Secretary

Dated: 1/23/04

Approved as to form:

Ad Kasegima

Attorney for King County Water District No. 1

CITY OF BELLEVUE, WASHINGTON

By: ERObery

Deputy City Manager

Dated: 1/29/2004

Approved as to form:

Patricia C. Cole

Asst. City Attorney

CASCADE WATER ALLIANCE

RESOLUTION NO. 2004-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF CASCADE WATER ALLIANCE, A WASHINGTON NONPROFIT CORPORATION, AUTHORIZING THE CITY OF BELLEVUE TO PROVIDE WATER SUPPLY TO KING COUNTY WATER DISTRICT NO. 1

WHEREAS, the Cascade Water Alliance ("Cascade"), is a Washington Nonprofit Corporation composed of municipal corporations which is organized pursuant to the Interlocal Cooperation Act (Chapter 39.34 RCS) for the purpose of providing water supply to meet the growing demands of its members and the region; and

WHEREAS, Cascade has negotiated a declining block contract with the City of Seattle with respect to the purchase of water supply; and

WHEREAS, Cascade supplies water to its Members according to the terms and conditions of its contract with the City of Seattle and the Cascade Interlocal Contract (the Interlocal); and

WHEREAS, the City of Bellevue, a Member of Cascade, has negotiated an agreement with King County Water District No. 1 to provide water supply to that Water District from the City of Bellevue's share of the Cascade Block, a copy of which is attached hereto; and

WHEREAS, King County Water District No. 1 has agreed to pay a Regional Capital Facilities Charge (RCFC) for each District connection and to pay the rates and charges imposed by Bellevue; and

WHEREAS, the Interlocal requires that the Board of Directors of the Cascade Water Alliance approve all sales by a Member to non-members of water supplied to the Member by Cascade.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CASCADE WATER ALLIANCE, as follows:

(1) The City of Bellevue is authorized to supply King County Water District No. 1 with water supplied by the Cascade Water Alliance according to the terms and conditions of the interlocal agreement attached hereto; provided that, the Board of Directors of the Cascade Water Alliance must approve amendments to that agreement; and

(2) Demand Shares and total connected CERUs for the City of Bellevue shall be adjusted, beginning in 2005, to take into account water supplied to King County Water District No. 1.

ADOPTED AND APPROVED by the Board of Directors of the Cascade Water Alliance at its regular meeting thereof held on the 18 day of FEBRUARY 2004.

ATTEST:

Michael A. Gagliardo

CASCADE WATER ALLIANCE

Grant Degginger, Chair

Jim Haggerton, Vice Chair

Members

Yes 7

No 0

Demand Share

Yes 99 %

No 0 %