APPENDIX D

WATER SERVICE AGREEMENTS

Skagit County Service Area Agreement from CWSP
Skagit County Franchise Agreement
City of Anacortes Joint Operating Agreement
Water Supply Agreement with Samish Farms Water Association
Water Supply Agreement with North Fir Island Water Association
Water Supply Agreement with Sierra Pacific
AGREEMENT FOR ESTABLISHING
WATER UTILITY SERVICE AREA BOUNDARIES

PREAMBLE

This Agreement for water utility service area boundaries identifies and establishes
between the undersigned parties 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 Skagit County
Coordinated Water System Plan (CWSP), and as defined by the adopted rules and
regulations of the Washington State Department of Health (DOH). Except as
specifically provided herein, this Agreement does not give new authorities or responsi-
bilities to any water purveyor or to Skagit County or State regulatory agencies, but
acknowledges the geographical area for these designated service responsibilities.

The terms used within this Agreement shall be as defined in the implementing regu-
lations of Chapter 70.116 RCW, except as identified below.

1. Skagit County Critical Water Supply Service Area Map shall mean the map
incorporated into this Agreement as Attachment A for the retail service area,
except as amended in accordance with the CWSP procedures and with the con-
currence 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 to the existing system, by
a remote/detached system, or through interim service by an adjacent utility
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 written concurrence of the purveyor responsible for the
geographical service area in question.

4. Lead Agency for administering the Agreement For Establishing Water Utility
Service Area Boundaries shall be the Skagit County Department of Health,
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.
TERMS OF AGREEMENT

WHEREAS, Such an Agreement is required in WAC 246-293-250, 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 Skagit County as growth occurs; and

WHEREAS, Responsibility for providing water service through ownership and/or management of water systems in a designated service area is vested in the designated utility; and

WHEREAS, Definite retail and wholesale service areas will help assure that water reserved for public water supply purposes within Skagit County will be utilized in the future in an efficiently planned manner,

NOW, THEREFORE, the undersigned parties, having entered into this Agreement by signature of its authorized representatives, concur with and will abide by the following provisions:

Section 1. Service Area Boundaries. The undersigned parties acknowledge that the Skagit County Critical Water Supply Service Area Map, included as Attachment A to this Agreement and as may be subsequently updated, identifies the purveyor's future water service area. The undersigned further acknowledge that there are no service area conflicts with adjacent water purveyors, 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 purveyors may initially continue existing water service within the boundaries of neighboring purveyors, as defined in Attachment A. 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 permitting these uncontested overlays. The undersigned parties agree that any water line for retail service extending outside of the retail service area boundary, as set forth in Attachment A, shall be phased out and service transferred to the designated adjacent purveyor on an economic basis or by mutual agreement.
Economic basis considerations shall 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 purveyors whose boundaries are affected.

Section 3. Boundary Streets. Unless separate agreements exist with adjacent purveyors concerning water services or other utility services, the parties agree that the water purveyor which is located to the north or east of boundary streets between this purveyor and adjacent purveyors shall 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 purveyors, as per Section 2. These provisions do not disallow the placement of mains in the same street by adjacent purveyors where geographic or economic constraints require such placement for the hydraulic benefit of both purveyors.

Section 4. Boundary Adjustments. If, at some time in the future it is deemed appropriate by one or both of the undersigned parties to make service area boundary adjustments, such modifications must receive written concurrence (which shall not be unreasonably withheld) of all purveyors that would be directly affected by such a boundary adjustment and the legislative authority(ies) having jurisdiction. These written modifications shall be noted and filed with the designated Skagit County lead agency and DOH. It is understood by the undersigned parties that if, as provided by RCW 70.116.040, the purveyor is unable to provide service within its designated service area boundary it may decline to do so. But, in that case, an applicant will first be referred to adjacent purveyors with an approved water system plan that provides for expansion. An existing system shall be considered "adjacent" to the proposed development if service can be provided with a waterline extension not to exceed one-half mile in length. If service will not be provided by an adjacent purveyor, the developer will be referred to the Skagit County PUD. The original service area boundary will be adjusted accordingly. 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.

Section 5. Service Extension Policies. The undersigned parties agree that prior to expanding the purveyor's water service area, other than by addition of retail customers to existing water mains, the purveyor shall have adopted design standards
customers to existing water mains, the purveyor shall have adopted design standards and utility service extension policies. The design standards shall meet or exceed the Skagit County CWSP Minimum Design Standards.

Municipalities further agree that if an individual municipality identifies a service area outside of its existing municipal corporate boundaries, said municipality shall assume full responsibility for providing water service equivalent to (excluding rates and charges) the level of service provided for their inside-city customers. This shall be in conformance with applicable land use policies.

Section 6. Systems Placed in Receivership. RCW 43.70.195 enacted in the 1990 Regular Session of the Washington State Legislature provides that whenever an action is brought in superior court to place a public water system in receivership, the petition to the court shall name candidates for receiver who have consented to assume operation of the water system. The undersigned purveyor agrees to be named as receiver in such actions initiated for systems within its designated service area, which includes all portions of Skagit County not assigned through the CWSP to purveyors other than the Skagit County PUD. By this consent, the undersigned does not waive its rights to appear and participate in the court proceedings to determine acceptable conditions of receivership.

This agreement by reference includes the following attachments:

Attachment A - Skagit County Critical Water Supply Service Area Map. (see Section 1)

Attachment B - Common Service Area Agreement - Optional - Utility may attach copies or list such agreements if relevant. (see Section 2)

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement.

Board of County Commissioners
Skagit County, Washington

W. W. Vaux, Chairman

Robby Robinson, Commissioner

Ruth Wylie, Commissioner

Date 10/4/92

PUD #1 of Skagit County
Water Purveyor

James P. Kickmantl
Representative

Title

General Manager

June 3, 1992
Date
SUMMARY OF RECEIVERSHIP LEGISLATION

Objectives of Legislation

Substitute Senate Bill 6447, entitled An Act Relating to Failing Public Water Systems, was enacted by the 1990 State Legislature. The receivership provisions are now codified as RCW 43.70.195 (Public water systems - Receivership actions brought by secretary). Legislative objectives were stated as: to improve coordination between State and local health agencies, to place failing public water systems into receivership to provide continued service under safe and reliable conditions, and to address new operating requirements of the Federal Safe Drinking Water Act.

Provisions of Statute

- In any action brought by the secretary of health or by a local health officer to place a public water system in receivership, the petition shall include the names of one or more suitable candidates for receiver who have consented to assume operation of the water system.

- If there is no other person willing and able to be named as receiver, the court shall appoint the county in which the water system is located as receiver.

- The county may designate a county agency to operate the system, or it may contract with another individual or public water system to provide management for the system.

- In any petition for receivership, the department shall recommend that the court grant to the receiver full authority to act in the best interests of the customers served by the public water system.

- The receiver shall assess the capability, in conjunction with the department and local government, for the system to operate in compliance with health and safety standards, and shall report to the court its recommendations for the system's future operation.

- If a petition for receivership and verifying affidavit allege an immediate and serious danger to residents constituting an emergency, the court may appoint a temporary receiver upon the strength of such petition and affidavit pending a full evidentiary hearing.

- A bond, if any is imposed upon a receiver, shall be minimal and shall reasonably relate to the level of operating revenue generated by the system.

- The receiver shall not be held personally liable for any good faith, reasonable effort to assume possession of, and to operate, the system in compliance with the court's orders.

- The court shall authorize the receiver to impose reasonable assessments on a water system's customers to recover expenditures for improvements necessary for the public health and safety.
ADDENDUM No. 1 to the
AGREEMENT FOR ESTABLISHING
WATER UTILITY SERVICE AREA BOUNDARIES
between
Public Utility District No. 1 of Skagit County, Washington
and
Skagit County, Washington

Attachment A-1 of the Agreement for Establishing Water Utility Service Area Boundaries of October 6, 1992 between Public Utility District No. 1 of Skagit County (Water Purveyor) and Skagit County, Washington is hereby amended per Attachment A-1.1 of this Addendum. All other terms of the original Agreement remain unchanged.

Board of Commissioners
Skagit County, Washington

Robert Hart, Commissioner

Harvey Wolden, Commissioner

Ted Anderson, Commissioner

PUD No.1 of Skagit County
Water Purveyor

James P. Kirkpatrick
General Manager

September 26, 1995
Date

August 14, 1995
Date

Reviewed by:

Mary Olton
Skagit County Department of Planning and Community Development

Skagit County Fire Marshal

Skagit County Department of Health

RECEIVED
DEC 26 1995
SKAGIT, P.U.D.

RECEIVED
AUG 14 1995
SKAGIT COUNTY
HEALTH DEPT.
WATER SUPPLY AGREEMENT

This agreement entered into this 1st day of April, 1989 between the "City" of Anacortes, hereinafter referred to as the City, and P.U.D. #1 of Skagit County, hereinafter referred to as the "Customer". It replaces and supersedes any previous agreements or understandings between the parties.

The Customer is entering into this agreement to secure a supply of water for its industrial and/or municipal water supply requirements. The City owns and operates a Water Supply System, has water available to serve the Customer, and is willing to supply water according to the terms and conditions of this agreement.

The City's Water Supply System is defined for purposes of this agreement to include: 1) the water intake and treatment facilities near Avon on the Skagit River; 2) the City's water transmission pipelines from the water treatment facilities to the 3 million gallon reservoir on Whistle Lake Road near Anacortes; 3) one-third of the 3 million gallon reservoir, and 4) the 10-inch water supply pipeline along SR20 from Dean's Corner to the Oak Harbor metering point just north of the Deception Pass Bridge.

In accordance with this agreement, the City agrees to supply the Customer water in accordance with the following terms and conditions:

1. **Quantity**
   
The City agrees to supply quantities and pressures of water at location(s) and in amounts as stated in this agreement (Exhibits A & B), and any subsequent amendments to this agreement (Exhibit C).

2. **Delivery Points**
   
   2.1 **Approved Delivery Points** - the City shall deliver water to the Customer at the approved delivery points listed in Exhibit A.

   2.2 **New Delivery Points** - the Customer may request service at additional delivery points subject to the approval of the City. The City may approve new service connections consistent with the concept that the Water Supply System is not a distribution system but the Customer has responsibility for constructing and maintaining a distribution system adequate for its service area.

   The Customer shall be responsible for paying all costs associated with installing new service connections. The connection shall include the necessary piping and valves, metering equipment of standard manufacture, and suitable isolating or backflow prevention devices as appropriate. If required by the City, the meter shall be of a type capable of transmitting continuous
readings to the City's Water Treatment Plant. The Customer shall prepare the design for the proposed service connection, submit it to, and receive the approval of the City prior to its installation. The City shall own the meter and be responsible for maintaining it in good repair.

3. Quality of Water

The City shall operate and maintain its Water Supply System in order to supply water for municipal and industrial purposes that meets the water quality standards of the Washington State Department of Social and Health Services and the U.S. Environmental Protection Agency, including periodic revisions to these standards. The City shall employ the normal care and practices of water utilities with respect to meeting water quality standards.

The City shall not be liable to the Customer for failure to meet the water quality standards for reasons that are outside the control of the City. The Customer shall hold the City harmless from any water quality related claim for damages by third parties served by the Customer, to the extent that the claim arises out of customer's negligence.

4. Rates and Charges

The City has established the following rates and charges and billing procedures for customers of its Water Supply System, which apply to this agreement.

4.1 Rate Structure - The City has defined the following costs associated with the facilities, operation and maintenance of its water supply system:

- **Capital Cost** - Those costs incurred for the betterment and rehabilitation of the Water Supply System. Includes amounts paid from revenues, water system funds, and debt service on bonds issued for the betterment or rehabilitation of the system.

- **Fixed Operating Cost** - The cost of labor, supervision, supplies, utilities, services, taxes, insurance, and all other expenses required to operate and maintain the Water Supply System other than those items included under **Variable Operating Cost**.

- **Variable Operating Cost** - The cost of chemicals and electric power required to deliver water from the Water Supply System.

4.2 Cost Allocation - The Customer shall pay its proportionate share of the Capital Cost, Fixed Operating Cost, and Variable Operating Cost. These costs shall be allocated as follows:

- **Capital Cost** - Allocated to all Water Supply System customers based on the estimated volume of water to each customer in
proportion to the total water supply requirements.

**Fixed Operating Cost** - Allocated to all Water Supply System customers based on the metered water volume of each customer as a percentage of the total metered volume of all customers, with the following exceptions:

1. Administrative support services and all employee benefits shall be allocated to customers in the same proportions that the total cost of all other Personnel Services is divided among them.

2. The State Excise Tax shall be allocated based on actual (or projected) billings to each of the customers. In accordance with Washington State Law, no Excise Tax will be assessed to wholesale customers purchasing water for resale.

**Variable Operating Cost** - Allocated to all Water Supply System customers in accordance with the metered water volume of each customer as a percentage of the total metered volume of all customers.

### 4.3 Billing Basis -

1. The Capital Cost Allocation to customers is determined each time a water rate analysis is prepared by the City and is set for the ensuing rate period (usually 3 to 5 years). Each customer's "estimated" volume used to calculate the Capital Cost for the rate period shall be agreed upon between the City and the Customer based upon current usage and estimated increased water requirements during the rate period. The current Capital Cost is shown in Exhibit B.

2. The Fixed and Variable Operating Costs shall be determined as part of the City's annual budgeting process. Rates current as of the date of this agreement are shown on Exhibit B and are used as the basis for the customer billings according to the volume of water used. Each year, the City will calculate the unit Fixed and Variable Operating Costs for the next year based upon projected operating costs and projected water use and will notify the customers of these rates (Exhibit C). These revised costs will be used as the basis for billing customers during the year. Following the end of each calendar year, the City will calculate and report actual costs and retroactively adjust each customer's charges (i.e., increase or decrease) to actual costs, as shown in Exhibit C.

### 4.4 Billing - The City shall read the Customer meters each month, calculate, and issue a bill to the Customer. The bill shall identify the Capital Cost, the Fixed Operating Cost, the volume of
metered water delivered to the Customer during the month, and the corresponding Variable Operating Cost. The Capital Cost and Fixed operating Cost are payable regardless of the volume of water consumed while the Variable Operating Costs shall be paid according to the volume of metered water delivered to the Customer. Payment by the Customer is due within 15 days of the receipt of the bill.

4.5 Late Payment - If a bill remains unpaid after 30 days, the City may assess interest on the delinquent amount at the rate of 12% per annum. If a bill still is not paid after 90 days, the City may use other remedies legally available to it, including shutting off service to enforce payment.

4.6 Additional Charge - During the rate period, the Customer is entitled to the quantity of water fixed as the basis for the capital charge. Should the Customer use an annual volume greater than the volume shown on Exhibit B or as amended on Exhibit C, it shall pay an additional charge equal to 50% of the Variable Operating Cost for any excess volume. This additional charge is calculated to partially compensate for the additional use the Customer is making of the system capital facilities and the incremental operating costs associated with higher demands on the Water Supply System. Any such charge will be calculated at the end of each year and billed to the Customer.

5. Metering

The volume of water delivered to the Customer shall be measured by metering equipment installed in accordance with Article 2. The meter shall be maintained and read by the City. It shall be tested by the City periodically, but not less than once per year, to assure its continuing accuracy and conformance to the standards of measurement and service accepted in the water industry. The Customer has the right to be notified ahead of time and be present at any of the regularly scheduled tests. The cost of conducting such tests shall be borne by the City. These tests may also be conducted at other times at the request of the Customer and the customer may elect to have a representative witness the meter test. If the meter is accurate, the customer shall pay for the cost of the test; but if the test reveals an inaccuracy of more than 2 percent, the City shall pay for the test. If an inaccuracy of more than 2 percent is discovered, all billings for water furnished hereunder for one-half the time from the date of the preceding test shall be adjusted. The adjustment shall be for the full amount in excess of 2 percent.

6. Continuity of Service

The City shall use reasonable diligence to provide a regular and uninterrupted supply to the Customer's approved delivery point(s), but shall not be liable to the Customer for damages, breach of contract, or otherwise for interruption of service or curtailment of supply for any cause beyond the control of the City. These could include, but are not limited to, Acts of God, sabotage, war,
fires, floods, earthquakes or other catastrophes, strikes, or failure or breakdown of the Water Supply System. The Customer shall hold the City harmless from any claim for damages related to continuity of service by third parties served by the Customer, to the extent that the claim arises out of Customer's negligence.

7. **Conflicts**

To the extent that there is any inconsistency between the provisions of this agreement, any exhibit incorporated as part of this agreement, or subsequent amendments and other rules and regulations of the City, the provisions of this agreement shall control.

8. **Future Supply**

8.1 **Service Area** - This agreement between the City and the Customer is to supply water to the Customer's existing industrial operations and/or water service area. In this regard, the Customer agrees not to increase its industrial operations, to add new customers, or to expand its service area in a manner that would increase its water requirements by more than 10 percent without the prior approval of the City.

8.2 **Water Supply Requirements** - The City operates its Water Supply System for the purpose of delivering an adequate supply of good quality water to all of its customers. The City agrees to maintain and to operate its system so as to meet the volumes contracted for by its customers and to supply additional volumes as may be required by the Customer in the future, consistent with the needs of all its customers.

8.3 **Capacity Limitations** - It is agreed that the City shall have the right to limit future increases in water use, or the peak demands of customers should the usage approach the capacity of the Water Supply System.

8.4 **Future Improvements** - The City will plan and develop water supply facilities that may become necessary in the future to replace existing facilities or to expand the capacity of its Water Supply System to meet growing demands. The City may require appropriate commitments from its customers prior to proceeding with system improvements.

9. **Termination**

Either the City or the Customer shall have the right to terminate this agreement by giving at least one year notice of its desire to do so.
10. Term

Subject to the provisions of paragraph 9 of this Agreement, this agreement shall remain in full force and effect for a period of 20 years from the date of its execution, except that either party can request amendment or renegotiation of this agreement not more frequently than on an annual basis.

11. Records Inspection

The City of Anacortes shall maintain and make available for inspection at reasonable times all records pertaining to the water system. These records shall be maintained for a minimum 3-year period.

12. Addresses

All notices and billing required hereunder shall be sent to the following addresses:

SKAGIT COUNTY P.U.D. No. 1
1415 Freeway Drive
Mt. Vernon, WA 98273

13. APPLICABLE LAW

THIS AGREEMENT & ALL DISPUTES ARISING THEREUNDER SHALL BE GOVERNED BY WASHINGTON STATE LAW.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and year first above written.

THE CITY OF ANACORTES

By: ____________________________
   Mayor

ATTEST:

______________________________
   City Clerk

NAME OF CUSTOMER

By: ____________________________
   Public Utility District No. 1 of Skagit
   James P. Kirkpatrick, General Manager

ATTEST:

______________________________
   George W. Petersen, Auditor
**EXHIBIT A**

Dated ___________  ___________

**Water Supply Agreement between the City of Anacortes and Skagit P.U.D.**

**Approved Metered Service Connections:**

<table>
<thead>
<tr>
<th>Location</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lefebre Bulb Farm</td>
<td>10&quot;</td>
</tr>
<tr>
<td>1. Lefebre Bulb Farm</td>
<td>2&quot;</td>
</tr>
<tr>
<td>2. Bennett Road</td>
<td>8&quot;</td>
</tr>
<tr>
<td>3. Fredonia Grange</td>
<td>8&quot;</td>
</tr>
<tr>
<td>3. Fredonia Grange</td>
<td>4&quot;</td>
</tr>
<tr>
<td>3. Fredonia Grange</td>
<td>1&quot;</td>
</tr>
<tr>
<td>4. Reservation Road</td>
<td>2&quot;</td>
</tr>
<tr>
<td>5. Sharpe's Corner (East Register)</td>
<td>3&quot;</td>
</tr>
<tr>
<td>5. Sharpe's Corner (West Register)</td>
<td>3/4&quot;</td>
</tr>
<tr>
<td>6. Foote's Market</td>
<td>3&quot;</td>
</tr>
<tr>
<td>7. Bridgeway Restaurant</td>
<td>3&quot;</td>
</tr>
</tbody>
</table>

**Description**

- Turbine
- Turbine
- Rockwell Turbine
- Hersey
- Hersey
- Hersey
- Rockwell
- Hersey
- Hersey
- Rockwell
- Rockwell Compound
EXHIBIT B

Dated April 1, 1989

Water Supply Agreement between the City of Anacortes and Skagit P.U.D.

1. Water Charges:
   Capital Cost $856.00/Month
   Fixed Oper. Cost (1989 Estimate) $2,337.00/Month
   Variable Oper. Cost (1989 Estimate) $83.36/Million Gallons

2. Committed Water Volume:
   Annual: 65 million gallons

3. Water Pressure:
EXHIBIT C

AMENDMENT NO. 1

This Amendment, entered into this 1st day of April, 1989, replaces and supercedes Exhibit B and prior amendments to the Water Supply Agreement entered into April 1, 1988 between the City of Anacortes and Skagit P.U.D.

1. Water Charges:
   - Capital Cost (4/1/89 - 4/1/92) $856.00/month
   - Fixed Oper. Cost (Est. 4/1/89 to 4/1/90) $2,337.00/month
   - Variable Oper. Cost (Est. 4/1/89 to 4/1/90) $83.36/million gallons
   - Annual Billing Variance Adjustment (for prior calendar year) $770.39/Reimburse to City

2. Committed Water Volume:
   Annual: 65 million gallons

3. Water Pressure:

IN WITNESS WHEREOF, the parties hereto have executed this Contract Amendment as of the day and year first abovewritten.

Name of Customer: The City of Anacortes

By: James P. Kirkpatrick, General Manager
PUD No. 1 of Skagit County

By: James Rie
Mayor

Attest: George W. Petersen, Auditor

Attest: City Clerk
RESOLUTION NO. 1046

A RESOLUTION AUTHORIZING EXECUTION OF AN AMENDMENT TO WATER CONTRACT, BY AND BETWEEN THE CITY OF ANACORTES AND P.U.D. #1 OF SKAGIT COUNTY

WHEREAS, the existing contract by and between the City of Anacortes and P.U.D. #1 of Skagit County, as amended, establishes the cost of water sold by the City of Anacortes, and

WHEREAS, the City of Anacortes and P.U.D. #1 of Skagit County have agreed upon new rates to be charged, now, therefore

IT IS HEREBY RESOLVED by the City Council of the City of Anacortes that that certain amendment to water contract by and between the City of Anacortes, a municipal corporation, and P.U.D. #1 of Skagit County shall be in all respects ratified and approved and the Mayor and City Clerk-Treasurer are hereby authorized and directed to execute said amendment to water contract.

PASSED AND APPROVED this 1st day of May, 1989.

CITY OF ANACORTES, WASHINGTON

By [Signature]
James Rice, Mayor

ATTEST:

[Signature]
George Khtarian, City Clerk

(CORPORATE SEAL)
EXHIBIT C
AMENDMENT NO. 6

This Amendment, entered into this 1st day of April, 1994, replaces and supersedes Exhibit B and prior amendments to the Water Supply Agreement entered into April 1, 1989, between the City of Anacortes and Skagit P.U.D.

1. Water Charges:
   - Capital Cost
   - Fixed Oper. Cost (Est. 4/1/94 to 4/1/95) $1,342.00/month
   - Variable Oper. Cost (Est. 4/1/94 to 4/1/95) $2,522.00/month
   - Annual Billing Variance Adjustment (for prior calendar year) $111.04/million gallons
   - Annual Billing Variance Adjustment (for prior calendar year) $3,398.05/Reimburse to City of Anacortes

2. Committed Water Volume:
   Annual: 65 million gallons

3. Water Pressure:
   120 psi

IN WITNESS WHEREOF, the parties hereto have executed this Contract Amendment as of the day and year first above written.

Name of Customer: PUD No. 1 of Skagit County

The City of Anacortes

By: ____________________________
   James P. Kirkpatrick, General Manager

Attest: ____________________________
   Mark Fredlund, Treasurer

By: ____________________________
   H. Dee Mapf

Attest: ____________________________
   ____________________________
LETTER OF UNDERSTANDING

This agreement is made and entered into by and between the CITY OF ANACORTES, a municipal corporation, hereinafter referred to as City, and PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, a municipal corporation, hereinafter referred to as District.

WITNESSETH:

Parties hereto for and in consideration of mutual covenants contained herein hereby agree as follows:

1. City agrees to allow, for use of District, a 16-inch water connection off the City of Anacortes pipeline in the approximate location east of Bradshaw Road and State Route 536 for the purpose of providing domestic, commercial, industrial and emergency water supplies.

2. A meter, meter vault, meter bypass, check valve assembly and all other related appurtenances shall be installed at a service connection and said meter and appurtenances shall be owned and maintained by the City of Anacortes.

3. The District shall maintain, at its expense, all connecting pipeline, valves, pressure reducing valves and other related appurtenances beyond the City service connection and meter installation. City shall be responsible to schedule any testing and maintenance of the meter and appurtenances and shall use all reasonable efforts to schedule said testing, maintenance, and any service interruptions relative to said service connection.

4. The purpose of this agreement is to provide adequate supplies of potable water for fire protection and industrial development in the vicinity of the Port of Skagit County Regional Airport and Industrial Park Development. It is understood and agreed that the current requirements of the District and the amount of water which the City contemplates providing will not exceed 1 million gallons of water per day. The City can in no way guarantee a supply of water in excess of this figure nor assume any liability or obligation for delivery of such excess water to the District. It is agreed that the District shall not undertake to sell or deliver increased quantities of water beyond this commitment without first procuring the agreement and consent of the City. The agreement and consent of the City is a condition precedent to its obligation or liability to furnish to the District for such purposes. The City agrees to furnish additional water if it has additional water available and if the parties can mutually agree upon revised rates.
5. The District agrees to save and hold City harmless from and indemnify the City against any damages, claims, actions at law, suits and equity which occur as a result of this agreement, except as to any claims or damages occasioned solely by the negligence of the City, for which City will indemnify and hold District harmless in the same manner.

6. The District agrees to design and construct the service connection, meter vault, meter installation, and related pipe and appurtenances under City supervision. The City retains the right to review, modify and approve all plans and specifications for the service connection and meter installation. In addition, the District agrees to reimburse the City for all costs incurred in the review of the plans and specifications and inspection and supervision of the installation. Reimbursement will include all normal costs plus overhead.

7. The term of this agreement is concurrent with the City of Anacortes-Skagit PUD No. 1 Master Water Contract. The District agrees to pay for water use in accordance with current rate structure in effect.

PUBLIC UTILITY DISTRICT NO. 1
OF SKAGIT COUNTY, WASHINGTON

BY /s/ James M. Haffert
Dated this 31st day of March, 1987

CITY OF ANACORTES

BY /s/ James Kate
Dated this 7th day of April, 1987

ATTEST:

BY /s/ George Kohlman
LETTER OF UNDERSTANDING

This Agreement made and entered into by and between the CITY OF ANACORTES, a municipal corporation, hereinafter called "City" and PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, a municipal corporation, hereinafter referred to as "District".

WITNESSETH:

Parties hereto for and in consideration of the mutual covenants contained herein, hereby agree as follows:

1. City agrees to provide for the use of District an 8" water connection off the City of Anacortes pipeline in the approximate location of Avon for the purpose of providing an emergency, standy water supply for use in the event of critical drops in the level of Judy Reservoir. District shall notify City of anticipated critical drops in Judy Reservoir and keep the City advised as to status on a regular basis during critical periods. City will make all turnons and turnoffs at the request of District. Whenever reasonably possible, District shall provide City with 24 hours advance notice of turnons and turnoffs.

2. A meter, meter vault and other related appurtenances shall be installed at the service connection and said meter and appurtenances shall be owned and maintained by the City of Anacortes.

3. District shall maintain, at its expense, all connecting pipelines, valves, pressure reducing valves and other related appurtenances beyond City's service connection and meter installation. City shall be responsible to schedule any testing and maintenance and shall use all reasonable efforts to schedule said testing and maintenance and any service interruptions relative to said service connection.

4. The purpose of this Agreement is to provide an emergency standby water supply and not to provide additional water for general use of the Public Utility District. This Agreement shall not obligate the City of Anacortes to provide water and the City of Anacortes shall not be liable for its failure to do so. Provision of said service connection or actual delivery of water shall not obligate the City of Anacortes as to any future delivery of water.

5. This Agreement may be cancelled upon thirty days written notice by either party.

6. District agrees to save and hold City harmless from and indemnify the City against any damages, claims, actions at law, suits and equity which occur as a result of this Agreement, except as to any claims or damages occasioned solely by the negligence of the City, for which City will indemnify and hold harmless District in the same manner.
7. District agrees to reimburse City for the costs of making the service connection and supplying the meter and related piping and appurtenances. In addition, District agrees to pay for water use in accordance with the rate structure attached hereto and marked Exhibit A, and by this reference made a part hereof.

8. The prevailing party shall be entitled to a reasonable attorney fee and costs in any litigation which occurs between the parties hereto.

DATED this 19th day of June, 1986.

SKAGIT COUNTY PUBLIC UTILITY DISTRICT NO. 2

By James C. Attubing

CITY OF ANACORTES

By James Rice

James Rice, Mayor

ATTEST: George Khtavan, City Clerk Treasurer
BETORE THE BOARD OF COUNTY COMMISSIONERS OF
9305150C70  SKAGIT COUNTY, WASHINGTON
IN THE MATTER OF THE APPLICATION OF  ) ORDER GRANTING APPLICATION
PUBLIC UTILITY DISTRICT No 1  ) FOR FRANCHISE
OF SKAGIT COUNTY  ) No 14720
FOR A FRANCHISE OVER CERTAIN ROADS  )
IN SKAGIT COUNTY, WASHINGTON  )

PUBLIC UTILITY DISTRICT No 1 OF SKAGIT COUNTY (District), a Municipal
Corporation, having applied for a fifty year franchise to
construct, erect, alter, improve, renew, replace, repair, operate
and maintain a utility system across and along certain roads in
Skagit County, Washington, and said application having come on
regularly to be heard on the 20th day of January, 1993, at the hour
of 1:30 P.M. o'clock, and notice of this hearing having been duly
published on the 30th day of December, 1992, and on the 6th day of
January, 1993, in the Skagit Argus, a newspaper published in Skagit
County having county-wide circulation, and it appearing to the
Board that notice of said application and hearing thereon has been
given as required by law, and that it is in the public interest to
grant the franchise, and the Board having considered said
application and being advised in the premises.

The utility system referred to in this franchise is limited to and
described as follows:

ALL UTILITIES AS AUTHORIZED BY TITLE 54 RCW.

NOW, THEREFORE, IT IS HEREBY ORDERED that the right, privilege,
authority and non-exclusive franchise be, and the same are hereby
given and granted to PUBLIC UTILITY DISTRICT No 1, its successors and
assigns, hereinafter referred to as the grantees, for a period of
fifty years from and after the date of the entry of this order, to
construct, alter, improve, renew, replace, repair,
operate and maintain a utility system with all convenient
appurtenances to said system across and along other County
highways, roads, streets, avenues, alleys, and public ways within
the boundaries of Skagit County as now laid out, platted or
dedicated and all the County highways, roads, street, avenues,
alleys, and public ways that may hereafter be laid out, platted or
dedicated, lying outside of any incorporated town or city, and
being situated in the sections, townships and ranges, as follows:

This Franchise is granted upon the following express terms and
conditions, to-wit:

1. District Given Authority to Enter Upon County Roads:

That said District, its successors and assigns, shall
have the right and authority to enter upon the above-mentioned
County roads and rights-of-way as designated hereinbefore for the
purpose of constructing its utility system and all convenient

9305150C70
appurtenances thereto as described hereinbefore and for altering, improving, renewing, replacing and repairing said utility system and appurtenances.

2. Construction Approved by County Engineer:

All construction and installation work along or across the above-mentioned County roads or rights-of-way outside of the corporate limits of any incorporated town shall be subject to the County permit process and shall pass the inspection of the County Engineer, and shall conform to all applicable State and Federal minimum standards, codes, or regulations. The County may, from time to time, upon reasonable notice, require the removal and replacement of the District utility system if it is in the public interest to do so. The County Engineer may also require the removal of an abandoned installation if necessary to protect the public interest. Such removal or replacement shall be at the sole expense of the District and performed with due diligence by the District.

3. Plans, Specifications and Maps:

Prior to commencement of construction of said utility system or appurtenances, District shall first file with the County Engineer its application for permit to do such work, together with plans and specifications, in duplicate, showing the position and location of said utility system and appurtenances sought to be constructed at that time showing their relative position to existing roads and rights-of-way upon plans drawn to scale hereinafter collectively referred to as the "map of definite location."

The utility system and appurtenances shall be laid in exact conformity with said map of definite location, except in instances in which deviation may be allowed thereafter in writing by the
County Engineer pursuant to application by District. The plans and specifications shall specify the class and type of material and equipment to be used, manner of excavation, construction, installation, backfill, erection of temporary structures, erection of permanent structures, and shall conform to the latest edition of Washington State Department of Transportation Standard Specifications for Road and Bridge Construction. All signing and traffic control devices shall be submitted in the plan and shall conform to the manual on Uniform Traffic Control Devices. No such construction shall be commenced without the District first securing a written permit from the County Engineer, including approval endorsed on one set of plans and specifications returned to the District. All such work shall be subject to the approval of and shall pass the inspection of the County Engineer.

The District and the County recognize that it is in the best interest of the public not to duplicate inspection costs. Therefore, the parties agree to take all reasonable steps to cooperate and coordinate engineering and inspection services and costs. In the event the County becomes concerned relative to the inspection of a particular project, the following procedure may be implemented:

1. The County shall notify the District in writing setting forth the concerns of the County.

2. The District shall respond to the County's concerns in writing within two (2) working days.

3. In the event the parties cannot agree to a solution, the County may choose to assign an inspector to the project.

4. Restoration Guaranteed by Bond:

In any work which requires breaking of soil of County roads and rights-of-way subject to this Franchise for the purpose of constructing and maintaining the said utility system and appurtenances, the District shall be governed by and conform to the
general rules adopted by the officers charged with the supervision and care of such County roads, rights-of-way, and other County property; and the District at its own expense and with due diligence shall complete the work for which the soil has been broken and forthwith replace the work and make good the County road and/or rights-of-way, and that the same be left in as good condition as before the work commenced, without leaving any interference to public travel as a result of said construction and with the same grade as before construction or the grade required by the County Engineer; provided, however, that except in the case of emergencies involving the disruption of service or immediate threats to life or property, no such breaking of the soil on County roads and rights-of-way shall be done prior to the obtaining of permit issued by the County Engineer. The District will notify the County in writing within two (2) working days of any emergency work within the County rights-of-way. The expense of necessary road working signs during such work will be borne by the District.

All construction shall be done in a manner that minimizes interference with the use of the road. Applications for such a permit shall be accompanied by specifications for the restoration of the County road and/or rights-of-way to the same condition as it was in prior to such breaking based upon the most current State of Washington Department of Transportation specifications, and such specifications must be approved by the County Engineer before such breaking of the soil is commenced.

Skagit County may require confirmation of the District's contractors' appropriate performance bonds. The County Engineer may at any time do, order, or have done, any and all work that he considers necessary to restore to the same condition as it was prior to such breaking/work, any such County road and/or rights-of-way left by the District which, upon demand, shall pay to the County all costs of such work.
5. Utility Location Preference:

All construction of said utility system and appurtenances, service, repair, or relocation of the same, performed along or across the County roads and/or rights-of-way subject to this Agreement, shall be done in a manner neither to interfere unreasonably with the construction and maintenance of other utilities, lines, public or private, drainage ditches and structures, irrigation ditches and structures, located therein, nor with the grading or improvement of such County roads, rights-of-way, or other County property. The owners of all utilities, public or private, installed in such County roads and/or rights-of-way prior in time to the utility system and facilities of the District shall have preference as to the positioning and location of such utilities so installed with respect to the District. Such preference shall continue in the event of the necessity of relocating or changing the grade of any such County road or rights-of-way. The County will cooperate with the District regarding separation of utilities as required by Department of Health regulations.

6. Minimum Interference with Public Travel:

All work done under this Franchise shall be done in a thorough and workmanlike manner. In the installation of the utility system and the opening of trenches and the tunneling under County roads and/or rights-of-way, the District shall leave such trenches, ditches and tunnels in such a way as to interfere as little as possible with public travel and shall take all due and necessary precautions to guard the same, so that damage or injury shall not occur or arise by reason of such work.

In the event of an emergency requiring immediate action by District for the protection of its facilities or the persons or property, District may take such action and give such notice to the
County Engineer's office or the County Sheriff's office as is reasonable and practicable under the circumstances.

7. County May Change and Improve Roads Without Liability:

Skagit County, in entering into this Franchise, does not waive any rights it now has or may hereafter acquire with respect to County roads and/or rights-of-way and this Franchise shall not be construed to deprive the County of any powers, rights or privileges which it now has, or may hereafter acquire, to regulate the use or control of any County roads and/or rights-of-way covered by this Agreement.

The laying, construction, operation and maintenance of the District's utility system and facilities authorized by this Franchise shall not preclude Skagit County, its agents or its contractors from blasting, contiguous to the said system facilities of the District provided that the District shall be given at least fifteen (15) calendar days notice except in the case of emergencies. The parties recognize that it is in both their interests to be involved in each other's projects that are within this Franchise.

8. Relocation of Utility:

If at any time Skagit County shall improve or change any County road and/or rights-of-way subject to this Franchise by grading or regrading, planking or paving the same, changing the grade, altering, changing, repairing or relocating the same or by constructing drainage facilities, or in the event that such County road and/or rights-of-way subject to this Franchise shall become a primary state highway as provided by law, the District upon written notice from the County Engineer, or the Director of Highways, shall at its sole expense and with due diligence, change the location or readjust the utility system so that the same shall not interfere
with such County work and so that said utility system and appurtenances shall conform to such new grades or routes as may be established. Substantial relocation projects that will require specific budget consideration are typically included in the County 6-year plan in order to give the District sufficient time to include the item in their planning.

All work to be performed by the District under this section shall be subject to the direction and approval, and shall pass the inspection of the County Engineer.

9. **Location of Public Utility District #1:**

The address of the Public Utility District #1.

P. O. Box 1436
Mount Vernon, WA 98273-2492

Any notification required to be given to the District may be given to the address above stated, provided that the District may from time to time notify said County in writing of a change of address to which notifications are to be sent.

10. **Reference Monuments and Markers:**

Before any work is performed under this Franchise which may affect any existing monuments or markers of any nature relating to subdivisions, plats, roads and all other surveys, the District shall reference all such monuments and markers. The reference points shall be so located that they will not be disturbed during the District's operations under this Franchise. The method of referencing these monuments or other points to be referenced shall be approved by the County Engineer. The replacement of all such monuments or markers disturbed during construction shall be made as expeditiously as conditions permit and as directed by the County Engineer. The cost of monuments or other markers lost, destroyed or disturbed, and the expense of replacement by approved monuments, shall be borne by the District.
11. **Vacation of County Roads:**

If, at any time, Skagit County shall vacate any County road and/or rights-of-way which are subject to the rights granted by this Franchise and said vacation shall be for the purpose of acquiring the fee or other property interest in said road and/or rights-of-way for the use of Skagit County, in either its proprietary or governmental capacity, then the Board of County Commissioners shall give written notification to the District not later than ten working days in advance of any hearing on any proposed vacation. At the vacation hearing, the County shall consider such evidence as is submitted relating to the economic benefit or detriment of the vacation to the District in determining whether or not the County will retain a utility easement upon agreement by the District to pay the additional costs incurred by the County as a result of retaining the utility easement. In the event the County shall elect to vacate a County road and does not retain an easement for utilities, the District, upon reasonable notice by the County, shall remove, relocate, improve or protect its water system and appurtenances as is required and at its own expense.

12. **District to Indemnify County:**

The District, by acceptance of the privileges granted hereunder, does hereby agree to defend, indemnify and hold harmless Skagit County from all claims, actions, suits, liability, costs, expenses, or damages of every kind and description, including investigation costs, court costs, and attorney’s fees which may occur to or be suffered or claimed by any person or persons, corporation or property arising out of or in any way connected to the construction, operation and maintenance of District’s said utility system and appurtenances. In case that suit or action is brought against Skagit County for damages arising out of or by
reason of the above-mentioned causes, the District will, upon prompt notice of any such claims, actions and suits without limitation, defend the same at its sole cost and expense and will have the right to appeal any judgment rendered therein. The District will fully satisfy and pay any judgment rendered against Skagit County for which it has agreed to protect and save Skagit County harmless hereunder within ninety (90) days after said action or suit shall have been finally terminated.

Acceptance by the County of any work performed by the District at the time of completion shall not be grounds for avoidance of this covenant.

13. Franchise Not Exclusive:

This Franchise shall not be deemed to be an exclusive franchise. It shall in no manner prohibit Skagit County from granting other franchises of a like nature or franchises for other public or private utilities under, along, across, over and upon any of the County roads and/or rights-of-way subject to this Franchise, and shall in no way prevent or prohibit Skagit County from constructing, altering, maintaining, using or vacating any of said roads and/or rights-of-way, drainage structures or facilities, irrigation structures or facilities, or any other County property, or affect its jurisdiction over them or any part of them with full power to make all necessary changes, relocations, repairs, maintenance, etc., the same as the County may deem fit.

14. Provisions Bind Successors:

All the provisions, conditions, regulations and requirements herein contained shall be binding upon the successors and assigns of the Grantee, and all privileges, as well as all obligations and liabilities of the Grantee shall inure to its
successors and assigns equally as if they were specifically mentioned wherever the Grantee is mentioned.

15. Consent of County Prior to Transfer:

Neither this Franchise nor any interest herein shall be sold, transferred or assigned without the previous consent in writing of the Board of County Commissioners of Skagit County. However, such notice is not required in regard to any mortgage by Grantee to the trustee for its bond holders under its first mortgage indenture. Any sale, transfer or assignment of this Franchise in violation of this section shall automatically terminate said Franchise.

SECTION 16 DELETED

17. Use of County Standards:

In preparing plans and specifications for the installation of said utility system along or across County roads and rights-of-way, the District shall use as a guide the standards and specifications set forth in the Washington State Department of Transportation standards and as established by the County Engineer.

18. Revocation for Non-Compliance:

If the District shall willfully violate or fail, through willful or unreasonable neglect, to comply with any of the provisions of this Franchise for thirty (30) days after receipt of written notice from the Board of County Commissioners, then said Board shall have the right to declare District’s forfeiture of all rights hereunder and to declare this Franchise terminated and no further in force or effect thereafter.
19. Modifications:

Both parties reserve the right at any time upon sixty (60) days' written notice to the other party, to change, amend, modify, or amplify any of the provisions of conditions herein enumerated to conform to any state statute or departmental order or County regulation, relating to the public welfare, health, safety or highway regulations, as may hereafter be enacted, adopted or promulgated.

20. Severability:

If any section, subsection, sentence, clause or phrase of this Franchise is for any reason held illegal, invalid or unconstitutional by the decision of any court or regulatory body of competent jurisdiction, such decision shall not affect the validity of the remaining portions hereof. The parties hereby declare that they would have entered into this Franchise and each section, subsection, sentence, clause and phrase hereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared illegal, invalid or unconstitutional. The invalidity or any portion of this Franchise shall not abate, reduce or otherwise affect any consideration or other obligation required of the District or any grant of right by the County.

21. Insurance:

At the time of executing this Franchise, the District is insured through an industry self insurance plan administrated by Pacific Underwriters. Skagit County shall be given thirty (30) days' written notice prior to cancellation, expiration or any material changes of the insuring agreements. In the event of such material changes, the District will provide the County with
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assurance that the District has minimum coverage or equivalent as follows:

Bodily Injury Liability Including Automobile Liability $5,000,000.00 each occurrence
Property Damage Liability Including Automobile Property Damage $1,000,000.00 each occurrence

22. Force Majeure:

The District shall not be deemed in default of any provisions of this Franchise or subjected to any penalty hereunder where performance or compliance is prevented by acts of God, civil emergencies, natural disasters or other such circumstances beyond the District's reasonable control.

23. Grantee to File Acceptance:

The full acceptance of this Franchise and all its terms and conditions within thirty (30) days from the date of execution by the Skagit County Board of Commissioners by ________________ in writing is to be filed with the Clerk of the Board of County Commissioners of said County and shall be a condition precedent to its taking effect and, unless the Franchise is accepted within such time, this grant shall be null and void.
DATED at Mount Vernon, Washington, this 20th day of January, 1993.

BOARD OF COUNTY COMMISSIONERS
SKAGIT COUNTY, WASHINGTON

ROBERT HART, CHAIRMAN

APPROVED AS TO FORM:

Harvey Woldek
Harvey Woldek, Commissioner

APPROVED AS TO INDEMNIFICATION LANGUAGE:

Connie Carter
Clerk of the Board

Skagit County Risk Manager

The undersigned hereby accepts all the rights and privileges of the above-granted Franchise subject to all the terms, conditions, stipulations and obligations contained herein.

PUBLIC UTILITY DISTRICT #1
OF SKAGIT COUNTY

William R. Stineck
Commissioner

Lea Bode
Commissioner

A. L. Littlefield
Commissioner

APPROVED AS TO FORM
GILBERT & MAYER, INC., P.S.

ATTORNEY FOR PUD #1 OF SKAGIT COUNTY

DATED this 6th day of December, 1992.

ENTERED and EXECUTED copy delivered to the Grantee this 20th day of January, 1993.

CONNIE CARTER, Clerk of the Board

9305180070

BK 1192 PG 0525
CITY OF ANACORTES AND
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY
AGREEMENT REGARDING SKAGIT REGIONAL WATER SUPPLY SYSTEM

THIS AGREEMENT is entered into by the City of Anacortes (City) and Public Utility District No. 1 of Skagit County, Washington (PUD) for the continuation of reliable public water systems within Skagit County.

Section 1. RECITALS.

1.1 The City and PUD are parties to a Water Supply Agreement dated April 1, 1989, and last amended April 1, 1992 (Supply Agreement). The Supply Agreement provides, in part, for:

1.1.1 Connection of the public water systems of City and PUD;

1.1.2 Supply of water by City to PUD for use throughout PUD's existing service area;

1.1.3 Rates and charges for service by City to PUD; and

1.1.4 Other matters affecting the rights and responsibilities in operation and maintenance of the City and PUD water supply systems.

1.2 An adequate and safe water supply for Skagit County is necessary to current and future residents, and vital to the comprehensive plans of City, County and other local governments.

1.3 The State of Washington (State), County, tribes and public water purveyors have participated in the past preparation, maintenance and revision of a Coordinated Water System Plan (CWSP) for Fidalgo Island. The initial CWSP was prepared in 1985, and was revised in 1993 for the entire County. The CWSP is a management plan and program under Chapter 70.116 RCW and Chapter 246-293 WAC.

1.4 Cooperative development, operation and maintenance of waterworks and facilities minimizes costs and is in the best interest of the citizens of the County.

1.5 The CWSP identifies current and future needs of local governments in Skagit County, and the process for establishing a cooperative regional water supply system.

1.6 City and PUD have the necessary water rights and facilities, as identified in the CWSP, with capability and capacity to meet public water supply needs of Skagit County. However, there is a need to plan for additional water supply for Skagit County. The City and PUD have maintained interties between their systems prior to and after January 1, 1991. Further interties to facilitate development of the regional water supply system may be necessary in the future.

1.7 City and PUD acknowledge their rights and obligations under the Growth Management Act to coordinate land use and water supply planning.
1.8 City and PUD recognize the benefits of a regional water system that allows the conjunctive use of surface and groundwater and better manages and protects the area’s water resources.

1.9 This Agreement Regarding Skagit Regional Water Supply System (Agreement) provides for the cooperation of City and PUD in the development of regional solutions for long range water supply needs for the fifty-year planning period (through 2040).

Section 2. INTENT.

2.1 It is the intent of the parties to cooperate in the development of additional waterworks and facilities that would form a Skagit Regional Water Supply System. The City and PUD will work cooperatively in the development of additional or expanded water resources and systems for distribution within Skagit County. Absent further agreement, the City and PUD will maintain present service areas, and their customers will continue to enjoy the present level of supply and service.

2.2 This Agreement provides a framework for development of each new joint facility. Each joint facility not specifically addressed by this Agreement shall be addressed by amendment to this Agreement. The specific intent of this Agreement is to make provisions for a standardized method to expand the Skagit Regional Water Supply System to meet the public water supply needs, and to establish a basis for agreement between the City and PUD for financing, ownership, construction and operation of new joint facilities required for the Skagit Regional Water Supply System.

2.3 It is the further intent of the parties that this agreement be incorporated into the Skagit County CWSP.

Section 3. REGIONAL WATER SYSTEM AND SERVICE AREA.

3.1 “Skagit Regional Water Supply System” (System) shall mean:

3.1.1 Those facilities of the City and PUD supplying water to the service area of the Skagit Regional Water Supply System.

3.2 “Service area of the Skagit Regional Supply System” shall mean the City's and PUD's Designated Water Supply Service Areas identified in the CWSP.

If it is in the best interests of both parties to change their present service areas, they may do so by mutual agreement and by amendment to this Agreement, all subject to applicable CWSP process.

3.3 “Facilities” and “Waterworks” shall mean those designated intake, treatment, pumping, storage, transmission and distribution plants or systems within the City and PUD public water systems as specifically identified in this Agreement, or amendments hereto.

Section 4. WATER SUPPLY - CAPACITY RIGHTS.

4.1 Capacity Rights. Each party shall retain its existing capacity rights in the Regional Water Supply System. Each party may, by mutual agreement, purchase regional capacity in planned improvements to the Regional Water Supply System. Any changes in these capacity rights shall be recognized by an amendment to this Agreement.
Any intertie agreement developed pursuant to this Agreement shall provide for a change of point or place of use only, and not a transfer or relinquishment of rights of the holder.

4.2 Additional Agreement Parties. Other agencies may purchase water or contract for other rights from the Regional Water Supply System, or become a party to this Agreement for future projects, by mutual agreement of the City and PUD.

4.3 Wholesaling Water. The City or PUD may wholesale water delivered through the Regional Water Supply System transmission system to areas outside of the City and PUD’s respective Service Areas, so long as the other party’s capacity rights are not negatively impacted.

4.4 Additional Facilities. Projected needs will be identified by both parties based on the party’s designated service areas. As five or more years may be needed to bring major new capabilities on-line, five-year and ten-year forecasts are required, and must be updated whenever either party becomes aware of any significant change in the forecast demand. These will be discussed jointly as they arise, and reviewed at a Semiannual Meeting between City and PUD.

Planning for additional facilities will commence, unless otherwise agreed to in writing, no later than the date at which any party’s demand reaches 85 percent of that party’s capacity rights or when the five-year forecast exceeds the capacity. A schedule acceptable to both will be agreed upon to provide sufficient lead time for construction and expansion of the required facilities, and be incorporated as part of the necessary amendment to this Agreement.

4.5 Quality. The objective of the parties is to maintain the quality of the water in the Regional Water Supply System at or above the quality required by State or Federal drinking water standards. The City and PUD staff will meet periodically to exchange information and to help ensure that water quality and operational issues are addressed. The results of these meetings will be reviewed at a Semiannual Meeting.

4.6 Financing. Financing plans for specific projects are to be addressed by amendments to this Agreement, or by separate agreement of the parties to the project. Financial participation in existing and additional facilities may, by mutual agreement, be based on each party’s projected need for each facility, and may be based on designated capacity rights.

4.7 Further Agreement Regarding Capacity Rights. The actual, five-year, and ten-year projected water needs of each party will be reviewed at a Semiannual Meeting. It is recognized that a party may have water capacity in excess of projected immediate needs. In the event a party is unable to meet its needs either solely or by joint facility development, the parties agree to meet and negotiate regarding lease rights, further water sales, or other methods to address System demands. Terms shall be on a mutually agreed basis that will cover the costs and investment of the party in facilities or rights covered by such further agreement. These costs may be included as a fixed and/or a variable charge on the water actually used. This further agreement shall terminate upon availability of capacity from additional facilities unless agreed upon by the parties in a further agreement or an amendment to this Agreement.

4.8 Cost of Service Charge. The parties will by mutual agreement establish rates and charges for System facilities. In establishing rates and charges, the parties will consider capital costs, fixed and variable operating costs, minimum fixed
charges, in lieu municipal service charges, and variable costs based on quantity of water delivered.

4.8.1 Capital Cost. Those costs incurred for Capacity Rights and planned capital expenses. Capital Costs are allocated based on designated capacity and may be financed by any lawful basis. The minimum cost will include an allocation for renewal and replacement based on designated capacity rights and the design life of joint facilities.

4.8.2 Fixed or Minimum Operating Cost. The cost of labor, supervision, utilities, services, taxes, insurance and all other expenses required to operate and maintain the system other than those items included under Variable Operating Cost.

4.8.3 Variable Operating Cost. Those costs directly proportionate to the volume of water produced, including chemicals, electric power, and other costs required to meet customer and System needs.

4.8.4 In Lieu Services. Those charges, imposed in lieu of municipal utility taxes, to provide for general governmental services. In lieu service charges shall be applied at a level not to exceed 5% to fixed and variable operating costs and to capital costs. However, if the PUD finances its share of the capital costs set out in a capital improvement program no in lieu tax will be charged to the PUD for this portion of the capital improvement program.

4.8.5 Accounting.

4.8.5.1 The capital cost System facilities shall include the cost of construction, and be documented in accordance with an accredited accounting system mutually acceptable to the parties.

4.8.5.2 Fixed and variable operating costs for System shall include costs as recorded and documented in accordance with the accounting that are directly attributable to the operation and maintenance of the System. The City and PUD will continue separate accounting for operation and maintenance costs for the facilities for which they are responsible. A standardized accounting procedure will be developed as far as practical to assess and credit cost among systems and record the net exchange of water on a monthly basis. Carry-over of credit for water delivered by either party may be allowed under mutually agreed conditions. However, all credits must be balanced by the end of a contract year.

4.8.5.3 Debt service for each party shall be addressed in financing plans for specific projects. See Section 4.6.

4.8.6 Billing. The parties will mutually agree on a method for accounts, billing and collection.

Section 5. ADMINISTRATIVE, LEGAL AND OTHER PROVISIONS.

5.1 Meetings.

5.1.1 The parties will hold joint meetings to review the status of this Agreement, Agreement amendments, further or associated agreements, as well as other issues of mutual interest or concern.
5.1.2 At least two joint meetings shall be held semiannually (Semiannual Meeting), to be scheduled by mutual agreement in the last week of March and September of each year. The purpose of the Semiannual Meetings are to review past activity and to propose efforts that may lead to further amendments to this Agreement. All forecasts of requirements will be reviewed at the meetings. The City and the PUD shall have representatives of their management and legislative authority attend the Semiannual Meetings. These will generally include the Mayor and one or more City Council Members, the General Manager and one or more PUD Commissioners. If other agencies become parties to this Agreement, they will provide for attendance of similarly qualified officials at the Semiannual Meetings.

5.2 Staff and Reporting. The coordination of this Agreement will be performed by the regular staff of the parties, with the addition of any non-staff people either party may care to include. These people will interchange information as often by meeting, teleconference, or other means they may choose. The purpose is to keep the joint projects moving forward in an efficient, cost-effective manner and to prevent any accumulation of misunderstanding. A monthly progress report shall be prepared by the party most active at that time and edited by the other until both are satisfied. Any further details will be included in amendments to the Agreement or in further agreements.

5.3 Schedule. At their first meeting, the staff of both parties involved in the coordination will prepare and publish a schedule and plan to facilitate the day-by-day operation of this Agreement. They may modify their schedule and plan as they wish within the limits of this Agreement, as long as both parties agree and publish the revised schedule and plan. Their work shall be reviewed at a Semiannual Meeting.

5.4 Other Efforts. Other means of recognizing and dealing with joint problems may be developed by mutual amendment.

5.5 Term. This Agreement shall remain in full force until the earlier of termination by mutual agreement, or adoption of a revised CWSP. Any party may request amendment to this Agreement at any time. Re-negotiation of this Agreement may be requested by any party for consideration at a Semiannual Meeting.

5.6 No Third Party Beneficiaries. The Agreement is for the benefit of the City and PUD only, to provide a framework for the development of System facilities. There are no third-party beneficiaries to this Agreement.

5.7 Compliance - Permits - Authority. Facilities that may be developed under this Agreement may be subject to preexisting rights, permits or approvals of the parties. Nothing in this Agreement constitutes a waiver of either party’s rights, permits or authority to water, water use, or utility facilities. However, by this Agreement the parties reaffirm their commitment to the process for public water system coordination and planning.

Section 6. SUPPLY AGREEMENT.

6.1 The Supply Agreement shall remain in force and effect until such time as amended or modified pursuant to amendment to this Agreement or other agreement. In the event of conflict, the Supply Agreement shall govern and be preemptive of terms in this Agreement.
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper Officers on the 27th day of April, 1993.

City of Anacortes

L.S.

By: Unable to read

Attest:

By: George T. Hansen
City Clerk

Approved As to Form:

By: Unable to read
City Attorney

Public Utility District No. 1 of Skagit County

Lee D. Bode, Commission President

Al Littlefield, Commission Vice President

Jones Atterberry, Commission Secretary

Attest:

James P. Kirkpatrick, General Manager
FIRST AMENDMENT TO THE REGIONAL WATER SUPPLY AGREEMENT  
BY AND BETWEEN THE CITY OF ANACORTES AND PUBLIC UTILITY DISTRICT  
NUMBER ONE OF SKAGIT COUNTY  

RECITALS  

1. The City agrees to the District’s proposal to hookup a 12-inch line to the City Water Treatment Plant. This hookup will be known as "Riverbend Inter-tie".

2. The District agrees that in an emergency the District will make best efforts to supply the City with a minimum of 2mg per day of domestic water with a credit against water sales to the District. The City will pay the cost of PUD water meter.

The District’s computer water flow analysis indicates that the District could deliver up to 3mg per day through the inter-tie that is proposed. The City acknowledges that the District would be able to deliver water to them for about a 24-hour basis under those conditions and that over a long-term basis the District may not be able to deliver 3mg, but may have to cut back to 2 mg per day.

The City acknowledges that District water could be discharged into their "wet well" or would require a City supplied booster pump to accommodate the City’s line pressure.

3. The District agrees to pay the cost of the City water meter on the line. This water meter would be to meter the water delivered to the District. The District agrees to minimum water flows in exchange for a cost effective meter installation.

4. The District agrees to pay its pro rata share of the cost of a proposed 24-inch inter-tie. The District’s pro rata share would be determined as its equitable part of its wholesale water supply agreement with the City. This inter-tie would be installed in the future on the north side of the two Skagit River bridges, being Interstate 5 and Old Highway 99 and connect to the District’s 18-inch water transmission line that presently lies within the road right-of-way on Burlington Boulevard, also known as Old Highway 99. The 18-inch line would connect to the City’s transmission line in the Avon area. This hookup will be known as "Avon No. 2 Inter-tie".

5. The District agrees to take that amount of water through the proposed future 24-inch inter-tie necessary to maintain water quality within the 24-inch inter-tie line.

With the advent of the 12-inch inter-tie the 24-inch inter-tie would have a lesser importance to the District.

6. The District acknowledges that the City may not be able to commit to any fixed amount of water being available to the District through the proposed 12-inch inter-tie on the Riverbend Road and the proposed 24-inch inter-tie to be located north of the Skagit River bridges. The City has concern about capacity capabilities when the Skagit River has high level of Nephelometric Turbidity Units (NTU’s).

The present District supply connections or inter-ties, also known as the Lefeber Inter-tie, Fredonia Inter-tie, and the Fidalgo Island supply points are not to be determined as interruptible supplies with regard to water supply.
7. The City agrees to use its best faith efforts to increase the total amount of water available to the District.

8. The City recognizes that the District utilizes chloramines for final disinfectant of its treated water. Chloramines can be detrimental to marine life. In addition, extra precautions for people on kidney dialysis machines must be taken.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper Officers on the 4th day of May, 1993.

City of Anacortes

By: Doyle Gurley

Attest:

By: George H. Spreng
City Clerk

Approved As to Form:

By: Sam L. Allen for
City Attorney

Public Utility District No. 1 of Skagit County

Lee D. Bode, Commission President

Al Littlefield, Commission Vice President

Jones Atterberry, Commission Secretary

Attest:

James P. Kirkpatrick, General Manager
WATER CONTRACT
WITH SAMISH FARMS WATER ASSOCIATION

THIS CONTRACT, entered into as of the 30th day of April, 1996, by and between Public Utility District No. 1 of Skagit County, Washington, a Municipal Corporation, (hereinafter referred to as the District) and Samish Farms Water Association, a voluntary non-profit association organized and existing under the laws of the State of Washington, whose address is P.O. Box 102, Bow, Washington, 98232, (hereinafter called the Association).

WITNESSETH: That the parties hereto do mutually agree as follows:

1. SCOPE AND TERM OF CONTRACT
   Subject to the terms and conditions hereinafter set forth, the District agrees to sell at wholesale and deliver to the Association for resale, and the Association agrees to buy, water for rural, domestic, commercial and industrial purposes for a period not to exceed twenty-five years from the date of execution of this contract. The contract may be extended at the option of either party with the consent of the other for additional three-year periods upon written notice to this effect received ninety (90) days prior to the expiration of the Contract period.

2. AMOUNT OF WATER
   The District agrees to furnish the Association with its full requirements for water which exist now or which may exist in the future; provided, however, that such water requirements shall not be in excess of the capacity of facilities and available water supply of the District to render such water service; and in any event not to exceed 300 gallons per minute (gpm) at the delivery point during peak usage hours, defined as between 8:00 a.m. and 11:00 a.m. and between 4:00 p.m. and 6:00 p.m., AND 350 gpm at the delivery point during periods other than peak hours. The total withdrawal per calendar month shall not exceed 1,100,000 cubic feet. Notwithstanding the foregoing, it is understood and agreed by the and between the parties hereto that the District must furnish a minimum of 810,000 cubic feet of water per calendar month, if demanded by the Association, subject to the District’s water conservation program and curtailment requirements established in the District’s current Water System Plan.

For and in consideration of this increase in capacity over the amount allowed in the previous Contract between the Parties, the Association agrees to pay a System Development Fee (SDF) to the District for each new service connection added to the
WATER CONTRACT
with Samish Farms Water Association

Association’s water system after the effective date of this Contract (there are 420 service connections on the Association’s water system per the Association’s records as of the effective date of this Contract); each SDF shall be based on eighty percent (80%) of the SDF for the size of the new meter added per the District’s SDF fee schedule in effect on the date the service is requested and shall be paid by the Association to the District within thirty (30) days of the date the service connection is requested; AND the Association agrees to participate in financing the replacement of the District’s existing 8-inch waterline with a 12-inch ductile iron waterline on Cook Road between Old Highway 99 and Pulver Road, a distance of approximately one (1) mile; the Association’s financial participation in the replacement cost shall be limited to the difference in material cost between 8-inch and 12-inch ductile iron pipe for the full length of the replacement, based on the cost of materials at the time the waterline is replaced, unless the Association pays the District within 30 days of the execution of this Contract, in which case the cost shall be limited to $27,086.00. The District agrees to use all reasonable means to complete the upgrading of the Cook Road waterline prior to the end of the year 2000. The District agrees that if the upgrading of the Cook Road waterline is not completed by December 31, 2000, that the District will refund such dedicated funds paid by the Association for the upgrade plus interest at the rate of five percent (5%) per year. The Association reserves the right to accept or leave the funds with the District for the upgrading of the Cook Road waterline; HOWEVER, withdrawal of such funds does not relieve the Association from participating in the Cook Road waterline upgrade when it is ultimately performed per the foregoing terms.

Should the water requirements of the Association exceed the amounts indicated in this Section of the Contract, the District reserves the right to determine what, if any, additional facilities it will elect to install to satisfy the excess requirements. The terms and conditions for water supply beyond the maximum amount indicated above will be the subject of further negotiations between the parties.

3. **RATES AND CHARGES**

   For all water furnished under this Contract, the Association agrees to pay the District as follows:

   1. The Association’s minimum quantity shall be 100,000 cubic feet per month.
2. The District shall compute the cost using ninety percent (90%) of the Commercial/Industrial/Municipal water rate at per its current rate schedule.

The parties of this Contract mutually agree that during the period of this Contract the District may review its rate structure and make changes in its rates and charges.

The District will endeavor to notify the Association not less than ten (10) days prior to any public hearing(s) related to increase(s) in rates and charges, and will provide written notice to the Association of the adoption of such changes not less than one hundred twenty (120) days prior to the effective date of such change(s).

Payment for said charges shall be made within ten days of the billing date thereof, which billing date is fixed as of the first of the month, and, if payment is not made after 30 days, the District may elect to charge interest on the unpaid account and, if payment is not made after 90 days, the District may, upon written notice to the Association, discontinue service until payment is received in full.

Should the Association, in the conduct of its business, require additional service from the District such as reading of meters, billing and collecting, and other services in connection with the management and operation of the Association's water facilities, such services may, if the Association elects, be negotiated by the parties and shall be reduced to writing as a supplement contract between the parties. It is specifically understood by and between the parties hereto that the Association may contract for these services with any other entity other than the District, if the Association so elects.

4. POINT OF DELIVERY AND METERING

The District agrees to make delivery of water at a point known as Jack Smith's corner, located in Section 16, Township 35 North, Range 3, East of the Willamette Meridian, Skagit County, Washington. Water shall be measured by suitable metering equipment of standard manufacture, to be installed by the Association and approved by the District and maintained, calibrated and read by the District at its expense. If additional points of delivery or additional metering facilities are required by mutual agreement of the parties to be required, such additional facilities will be the subject of further negotiations between the parties and implemented only upon supplemental written agreement.
5. FACILITIES OF THE ASSOCIATION AND THE DISTRICT

The District shall use reasonable diligence to provide a regular and uninterrupted supply of water to the Association at a minimum pressure of 40 psi, but shall not be liable for damages, breach of contract or otherwise for failure, suspension, diminution or other variations of service, unless such damages or breach of contract are due to the intentional act or omission of the District. The Association agrees that it will provide the maximum utilization of its water facilities. The Association further agrees that, should the pressure at the point of delivery become less than 40 pounds per square inch due to actions or demands of the Association, it will provide and maintain at its own expense additional storage facilities, regulating valves and other facilities required to protect the system pressures of the District. The District agrees that should the pressure at the point of delivery become less than 40 pounds per square inch due to actions or demands other than of the Association, the District will provide and maintain such facilities as are required to provide at least the minimum pressure stated herein. To assure continuity of service to its other customers, and to enable the District to intelligently plan for meeting future water requirements, the District reserves the right to review and approve the plans and specifications of such facilities, or project plans if construction is by force account, which the Association may install, and such major additions and extensions thereof as may be undertaken by the Association. In order for the District to plan for its own facilities, the Association agrees to furnish to the District one copy of the Association's detailed plans and specifications for the Association's water system.

6. CHANGE IN VOLUME OR CHARACTER OF LOAD

Reasonable notice shall be given to the District by the Association respecting any material change proposed in volume of water required or characteristics of utility service.

7. LIABILITY OF THE PARTIES

Title to all facilities beyond the discharge side of the water meter at the point of delivery shall be vested in and remain with the Association, which shall be responsible for loss or damage to such facilities, unless such damage is caused by the intentional act or omission of the District, in which case damages shall be apportioned accordingly.

The District, a municipal corporation organized under Title 54, Revised Code of Washington, is bound by the rights, powers and duties contained in that statute, and
the Association, as a water customer, agrees to be bound by such rules and regulations as may be promulgated by the District pursuant to such authority.

In case suit or any other action, including arbitration or mediation, is commenced to enforce any one or more of the provisions in this Contract, whether said provisions be expressed or implied, the prevailing party shall be awarded its reasonable attorney’s fees and costs. Venue for all court action shall be vested in Superior Court for Skagit County.

8. ASSIGNABILITY OF CONTRACT

The parties acknowledge that the Association has borrowed construction funds from the Farm Home Administration of the United States Department of Agriculture, and has given or will give a first mortgage securing said loan upon the proposed water system and all assets. In the event of the Association’s default upon said loan, this contract is and shall be assignable to said Mortgagee or its assigns and the District shall and will continue to perform hereunder so long as the Purchaser shall abide by the terms hereof.

9. This Contract supersedes the previous Contract between the District and the Association, dated October 31, 1977, and its amendments.

IN WITNESS WHEREOF the parties have hereunto affixed their signatures this day and date just above written.

PUBLIC UTILITY DISTRICT No. 1 of Skagit County, Washington

Al Littlefield, Commissioner

Jones E. Atterberry, Commissioner

Lee D. Bode, Commissioner

SAMISH FARMS WATER ASSOCIATION, INC.

Mike Collins, President

Robert Ratfield, Vice President

Jan Brown, Secretary-Treasurer
WATER CONTRACT
NORTH FIR ISLAND WATER ASSOCIATION

THIS CONTRACT, entered into as of the 5TH day of July, 1983,
by and between Public Utility District No. 1 of Skagit County, Washington,
a Municipal Corporation, (hereinafter referred to as the District), and
North Fir Island Water Association, a voluntary non-profit association
organized and existing under the laws of the State of Washington, whose
address is 1544 Skagit City Road, Mount Vernon, Washington, (hereinafter
called the Association).

WITNESSETH: That the parties hereto do mutually agree as follows:

1. SCOPE AND TERM OF CONTRACT

   Subject to the terms and conditions hereinafter set forth, the District
agrees to sell at wholesale and deliver to the Association for resale, and
the Association agrees to buy water for rural, domestic, commercial, and
industrial purposes for a period not to exceed twenty-five years at the
option of either party with the consent of the other for additional three-
year periods upon written notice to this effect received ninety (90) days
prior to the expiration of the Contract period.

2. AMOUNT OF WATER

   The District agrees to furnish the Association with its full requirements
for water which exist now or which may exist in the future; provided,
however, that such water requirements shall not be in excess of the capacity
of present facilities and available water supply of the District to render
such water service; and in any event not to exceed 125 gallons per minute
at the delivery point. Should the water requirements of the Association
exceed this amount, the District reserves the right to determine what, if
any, additional facilities it will elect to install to satisfy the excess
requirements. The terms and conditions for water supply beyond the maximum
amount indicated above will be the subject of further negotiations between
the parties.

3. RATES AND CHARGES

   For all water furnished under this Contract, the Association agrees
to pay the District as follows:
1. The Association's minimum quantity shall be 26,000 cubic feet per month.

2. The District shall compute the cost of 26,000 cubic feet per month using the regular water rate as per its current rate schedule. That dollar amount shall be the minimum monthly rate.

3. All water furnished in excess of 26,000 cubic feet per month shall carry a charge per 100 cubic feet equivalent to the last step in the District's regular rate schedule.

The parties of this Contract mutually agree that during the period of this Contract, the District may review its rate structure and make such changes in its rates and charges as follows:

1. As may be required by State Laws.
2. May be necessary to carry out the obligations of its bond resolutions.
3. May be necessary to make the business of District profitable, or
4. To conform to the resolutions of its Board of Commissioners.
5. When there is a rate increase in general for District customers.

Ninety days written notice to the Association will be required if the District elects to exercise this option.

Payment for said charges shall be made within ten days of the billing date thereof, which billing date is fixed as of the 1st of the month; and, if payment is not made, the District may elect to terminate this Contract and discontinue service upon written notice to the Association, whereupon all charges become due and payable at once.

Should the Association, in the conduct of its business, require additional service from the District such as reading of meters, billing and collecting, and other services in connection with the management and operation of the Association's water facilities, such services shall be negotiated by the parties and shall be reduced to writing as a supplement contract between the parties.

4. POINT OF DELIVERY AND METERING

The District agrees to make delivery of water at a point approximately 2,213 feet north and 15 feet west of centerline of Fir Island Road as measured along centerline of Skagit City Road on Fir Island, Skagit County, Washington. Water shall be measured by suitable metering equipment of standard manufacture to be installed by the Association and approved by the District and maintained, calibrated, and read by the District at its expense. If additional points of delivery or additional metering facilities are required in the discretion
of the District, such additional facilities will be the subject of further negotiations between the parties and agreed to in writing.

5. FACILITIES OF THE ASSOCIATION AND THE DISTRICT

The District shall use reasonable diligence to provide a regular and uninterrupted supply of water to the Association, but shall not be liable for damages, breach of contract or otherwise for failure, suspension, diminution or other variations of service occasioned by any causes beyond the control of the District. The Association agrees that it will provide the maximum utilization of its water facilities. The Association further agrees that, should the pressure at the point of delivery become less than 40 pounds per square inch, it will provide and maintain at its own expense additional storage facilities, regulating valves and other facilities required to protect the system pressures of the District. To assure continuity of service to its other customers, and to enable the District to intelligently plan for meeting future water requirements, the District reserves the right to review and approve the plans and specifications of such facilities, or project plans, if construction is by force account, which the Association may install, and such major additions and extensions thereof as may be undertaken by the Association. In order for the District to plan for its own facilities, the Association agrees to furnish to the District one copy of the Association's detailed plans and specifications for the Association's water system.

6. CHANGE IN VOLUME OR CHARACTER OF LOAD

Reasonable notice shall be given to the District by the Association respecting any material change proposed in volume water required or characteristics of utility service.

7. LIABILITY OF THE PARTIES

Title to all facilities beyond (but not including) the water meter shall be vested and remain in the Association, which shall be responsible for loss or damage to such facilities.

The District, a Municipal Corporation, organized under Remington's Revised Statutes, Sec. 11605, is bound by the rights, powers, and duties contained in that statute; and the Association, as a water customer, agrees to be bound by such rules and regulations as may be promulgated by the District pursuant to such authority.
IN WITNESS WHEREOF the parties have hereunto affixed their signatures this day and date just above written.

PUBLIC UTILITY DISTRICT No. 1 of Skagit County, Washington

By ____________________________
Commissioner

By ____________________________
Commissioner

By ____________________________
Commissioner

NORTH FIR ISLAND WATER ASSOCIATION

By ____________________________
President

By ____________________________
Secretary
ADDENDUM NO. 1 TO THE AGREEMENT
BETWEEN THE SKAGIT PUBLIC UTILITY DISTRICT
AND NORTH FIR ISLAND WATER ASSOCIATION

At the request of Skagit Public Utility District, an addendum is made to the agreement between Skagit Public Utility District and North Fir Island Water Association. The purpose of the addendum is to facilitate the District's newly adopted rate design and allow North Fir Island Water Association relief from existing contract language pertaining to rates. The addendum is a rewrite of Item Three, Subsection Two in the current agreement. The rewritten section is as follows:

3. **RATES AND CHARGES**

   For all water furnished under this Contract, the Association agrees to pay the District as follows:

   1. The Association’s minimum quantity shall be 26,000 cubic feet per month.

   2. The District shall compute the cost of water using 90% of the Commercial/Industrial/Municipal water rate as per its current rate schedule.

This addendum supersedes Item Three, Subsection Items 1, 2 and 3 of the existing agreement.

The changes made by this addendum to Item Three Rates and Charges, does not change or invalidate any other conditions, covenants, or other addendums of this agreement.

Dated this 27th day of January, 1993

NORTH FIR ISLAND WATER ASSOCIATION

BY:  
President

Secretary

SKAGIT PUBLIC UTILITY DISTRICT

BY:  
Commissioner

Commissioner

Commissioner
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY
INDUSTRIAL WATER SERVICE AGREEMENT

SIERRA PACIFIC INDUSTRIES

This Agreement is entered into this 11th day of September, 2008, between Public Utility District No. 1 of Skagit County, a municipal corporation of the State of Washington, hereinafter referred to as the “District” and Sierra Pacific Industries, a California corporation, or its successor or assigns, hereinafter referred to as the “Customer.”

The Customer is entering into this agreement to secure water service for its electric co-generation facility located in the BayView Ridge Urban Growth Area of Skagit County, Washington. The electric co-generation facility is located on property in the NE ¼ of the SW ¼ of Section 9, Township 34 North, Range 3 East, W. M. under Assessor’s Tax Numbers 340309-0-001-0007, 4108-010-009-0003 and Parcel Numbers P21232, P73479 respectively, as shown on the attached map “Exhibit ‘A’”. The District owns and operates a water supply system and has capacity rights in the Skagit Regional Water System and is willing to supply water according to the following terms and conditions of this Agreement.

Quantity and Delivery
The Customer has estimated that it will require quantities and pressures of water at 80 to 100 pounds per square inch (psi) and in amounts of a “maximum” continuous flow rate of 217-234 gallons per minute (gpm), an “average” continuous flow rate of 159-176 gpm, with an anticipated maximum quantity of water equal to 81,000,000 gallons per calendar year.

Supply and Capacity Limitations
This agreement between the District and the Customer is to supply water to the Customer’s existing co-generation facility. In this regard, the Customer agrees not to increase its operations, to add new facilities, or to extend its service in a manner that would increase its service requirements by more than ten percent (10%) without the prior approval of the District. Water service, under this Agreement, is exclusively to the existing co-generation facility and does not include service to adjoining facilities or properties and specifically does not include the 1½-inch service to the lumber facilities.
The District agrees to maintain and to operate this system so as to meet the volumes contracted for by its customers and to supply additional volumes as may be required by the Customer, consistent with the needs of all District customers. The Customer agrees to the following:

1. **Conservation**
   The Customer agrees to implement specified conservation measures as adopted by the District in accordance with State of Washington guidelines and regulations.

2. **Capacity Limitations**
   It is agreed that the District shall have the right to limit water use or the peak demands of the Customer should the usage approach the capacity of the District Supply System. The Customer will make every reasonable attempt to conserve water.

**Metering**
The volume of water delivered to the Customer shall be measured by metering equipment. The meter(s) will be owned and maintained by the District. It may be tested by the District periodically, to assure its continuing accuracy and conformance to the standards of measurement and service accepted in the industry. The Customer has the right to be notified ahead of time and be present at any tests. Water service may be interrupted during this time.

The size and type of meter shall be determined by the District. An undersized or oversized meter shall not be allowed. The size of meter shall be selected based on the sizing requirements of the most recently adopted IAPMO Uniform Plumbing Code, AWWA Standards C700 & C702, to have an annual usage of not more than fifty percent (50%) of the safe maximum operating capacity of the meter per year and, if the proposed use generally has a pattern of continuous flow (a relatively consistent flow for 6 hours or more), to flow not more than 50% of the safe maximum operating capacity of the meter during such periods of continuous flow.

Based on the customers projected flow rates listed in the “Quantity and Delivery” section of this agreement and District criteria, the size and type of meter shall be a 4-inch compound meter.

The Customer shall be responsible for paying all costs associated with installing the metered water service to the District water system.

**System Development Fee**
The Customer shall pay a System Development Fee based on the size of meter installed. The current System Development Fee for a 4-inch compound meter is $58,500.00.

**Heavy Industrial Rate**
The Customer will qualify for a Heavy Industrial rate provided the rolling average demand during a 12 month period is equal to or greater than 6.25 million gallons per month (8,355 hundred cubic feet). If the 12 month rolling average demand is less than 6.25 million gallons, then the Customer’s rate per hundred cubic feet will be the commercial rate identified within the
most current water policy manual, but no less than the monthly minimum charge as identified in the Minimum Charge section of this agreement.

All water delivered will be for the exclusive and beneficial use of the Customer and the Customer agrees to exercise reasonable diligence in preventing waste of the resource.

**Consumption Charges:**
Rates and charges are based upon the cost elements of Section 2.2.2 of the District’s Water Policy Manual that require consideration for production, treatment, storing, and delivery of the water. Also, indirect, supervisory and administrative, general expenses, taxes, interest and principal payments, and allocation for renewal and replacement of facilities when required are to be considered.

The cost of production and treatment expenses for the Customer’s area of service is the cost of water purchased from the City of Anacortes by the District and is established per a contract with the City. This is referenced as the Anacortes Water Supply Agreement. The Anacortes Water Supply Agreement is currently amended annually for changes in variable and fixed costs, and approximately in three year increments in capital costs. The District will pass along these costs to Customer now and at any time they change in the future. The current cost computes to $0.6666 cents per 100 cubic feet based on the District’s contracted allocation of 485 million gallons annually.

Other costs of the District are the District’s storage, delivery, taxes, indirect general administration cost and associated facilities and debt. This cost is calculated to be $0.8334 per hundred cubic feet. This cost will be reevaluated each time the District has a general rate adjustment.

The District currently bills in units of hundred cubic feet. The combined cost of production and treatment of $0.6666 per hundred cubic feet and the cost of storage, delivery, taxes, indirect general administration, and other of $0.8334 equate to a current total cost of $1.45 per hundred cubic feet.

**Minimum Charge**
The City of Anacortes Water Supply Agreement currently contains various charges referenced within the agreement, which are passed on to the District. Based upon Customer’s usage projections, the District has committed 81 million gallons annually, within its projected purchase of 485 million total annual gallons from the City of Anacortes. In order to protect the District, a minimum monthly charge is hereby established, regardless of the amount of water used, and will continue until the Anacortes Water Supply Agreement costs are modified or this agreement is terminated. The current calculated monthly minimum charge is $4,656.22.

**Surcharge**
The City of Anacortes Water Supply Agreement currently contains penalty provisions if the District exceeds its annual allotted commitment of 485 million gallons. If the District exceeds its annual allotment and Customer exceeds 81 million gallons, the District will pass along to Customer the penalty amount applicable to its units over 81 million gallons. The current penalty
amount is established at $1.45 per hundred cubic feet and will replace the $0.6666 per hundred cubic feet segment of the consumption charge (or its modified amount in future adjustments established as the District’s cost for water purchases from the City of Anacortes). The penalty will be applied to all units over 81 million gallons where the District receives a penalty for exceeding the District’s annual allotment.

**Modification**
The parties of this contract mutually agree that during the period of this Contract, the District may review its rate structure and make changes in its rates and charges. The Customer may request a change in its anticipated maximum usage per calendar year during the modification period as established within the City of Anacortes Water Supply Agreement with the District.

**Billing**
The District shall read the Customer’s meter(s) each month, calculate charges, and issue a bill to the Customer for this service. The bill shall identify the consumption of metered water delivered to the Customer during the month and the corresponding costs. If the register is damaged in any way that prevents an accurate reading, the District shall estimate the amount of consumption and bill for such. Customer will notify the District if the delivery system is in need of District attention. Customer agrees to pay for all such estimated consumption. Payment is due in accordance with the standard District service policies.

**Cross Connection Control**
The Customer agrees to install and to maintain a backflow prevention assembly approved for installation in Washington State on the water service(s) as may be required by the District and State/federal health authorities. The type and model of assembly(ies) necessary must be approved by the District.

**Quality of Water**
The District will operate and maintain the District’s distribution system in order to supply water for municipal and industrial purposes that meet the minimum water quality standards of the Washington State Department of Health.

The District shall not be liable to the Customer for failure to meet the drinking water quality standards for reasons that are outside the control of the District. The Customer shall hold the District harmless from any water quality related claim for damages by third parties served by the Customer, to the extent that the claim arises out of the Customer’s negligence.

Initially the source of water will be the City of Anacortes. The District reserves the right to serve the premise from a different or supplemental source of water.

**Disinfection/Fluoridation**
The customer recognizes that all water will contain chlorinous compounds which are dangerous to all aquatic life, as well as fluoride which may be added in the future. pH levels and other parameters may vary. The Customer shall pursue with reasonable diligence the protection of aquatic life onsite and offsite of the Customer’s development for all water discharged into the
environment and, upon failure to do so, shall hold the District harmless from any damages arising therefrom.

**Continuity of Service**
The District and the Customer agree the service is to be continuous until this agreement is terminated. During this period of time, the District shall use reasonable diligence to provide regular and uninterrupted service to the Customer’s approved delivery or discharge point(s), but shall not be liable to the Customer for damages, breach of contract, or any other claim relating to interruption of service or curtailment of supply for any cause. These causes could include, but are not limited to, Acts of God, sabotage, war, fire, floods, earthquakes, or other catastrophes, labor disputes, failure or breakdown of the Water Supply System. The Customer shall further hold the District harmless from any claim for damages related to continuity of service by third parties, and/or those served by the Customer, to the extent that the claim arises out of Customer’s negligence.

**Conflicts**
To the extent that there is any inconsistency between the provisions of this agreement, any exhibit incorporated as part of this agreement, or subsequent amendments and other rules and regulations of the District, the provisions of this agreement shall control.

**Assignment**
Rights and responsibilities under this Agreement may be assigned in part or in whole by Customer with the written consent of the District. Such consent shall not be unreasonably withheld.

**Term and Termination**
This Agreement shall remain in full force so long as the District’s duly enacted conditions of service are met and/or until terminated by either party. Either party may terminate this agreement by providing written notice of the intention to terminate at least 60 days prior to termination. Such termination will be effective upon the expiration of the 60 day notice period, unless otherwise agreed by both.

If this Agreement is terminated by the Customer, the remainder of the committed Capital Costs to be billed to the District by the City of Anacortes for the allotted amount committed for Customer by the District shall be due and payable within 30 days of termination.

The monthly capital committed portion attributable to Sierra Pacific is $3,204.25 until December 31, 2010, and shall be adjusted according to future amendments to the Water Supply Agreement between the District and the City of Anacortes.

**Applicable Law**
This Agreement and all disputes arising hereunder shall be governed by Washington State Law. Venue shall be in a court of jurisdiction within Skagit County, Washington.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as to the day and year first above written.

PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY

By: [Signature]
David L. Johnson, P.E., General Manager

SIERRA PACIFIC INDUSTRIES

By: [Signature]
Curt Adcock, Division Manager

ATTEST:

Kim A. Carpenter

STATE OF WASHINGTON
COUNTY OF SKAGIT

I certify that I know or have satisfactory evidence that David Johnson 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 General Manager of Public Utility District No. 1 of Skagit County, Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: 9/11/08

Kim A. Carpenter
Netary Public in and for the State of Washington
My appointment expires: 08/09/09

STATE OF WASHINGTON
COUNTY OF SKAGIT

I certify that I know or have satisfactory evidence that Curt Adcock 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 Division Manager of Sierra Pacific Industries to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: 9/9/08

Jennifer Fryman
Netary Public in and for the State of Washington
My appointment expires: 08/24/11