PLEDGE OF ALLEGIANCE

CONSENT AGENDA
1. Approval of Agenda 07/25/17
2. Approval of Minutes 07/11/17
3. Ratification of Vouchers 07/18/17
4. Approval of Vouchers 07/25/17
5. Project Acceptance:
   Fairhaven Court, 6 Lot Short Plat (Burlington)
   Skagit County Jail (Mount Vernon)

TREASURER’S REPORT – June 2017

AUDIENCE COMMENTS

OLD BUSINESS
6. Manager’s Report

NEW BUSINESS
7. Water Policy Manual Revision, Section 2.7 Temporary Water Service – Discussion
8. Leak Detection Equipment Purchase – Guterman – Discussion/Action

MISCELLANEOUS

COMMISSIONER COMMENTS

EXECUTIVE SESSION
Per RCW 42.30.110(1)(i)(i) Approximate duration of 15-30 minutes
Per RCW 42.30.110(1)(b) Approximate duration of 30-60 minutes

NEW BUSINESS CONTINUED
9. Judy Reservoir to Mount Vernon Transmission Line Project
   Proposed Easement Agreements with Environmental Bank – Discussion/Action

ADJOURNMENT

JUDY RESERVOIR ELEVATION
MINUTES OF THE REGULAR MEETING OF THE COMMISSION
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON

July 11, 2017

The regular meeting of the Commission of Public Utility District No. 1 was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington, on July 11, 2017.

The meeting was called to order at 4:30 PM. Those Commissioners in attendance were: Robbie Robertson, President; Eron Berg, Vice President; and Al Littlefield Secretary. Also in attendance were: George Sidhu, General Manager; Mark Handzlik, Engineering Manager; Sally Saxton, Finance Manager/Treasurer; Peter Gilbert, Attorney; and Kim Carpenter, Clerk of the Board; Audience: Judy Littlefield and Diane Robertson; District Employees: Kevin Tate, Luis Gonzalez, Kathy White, Joyce Hill and Bill Trueman.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for July 11, 2017:
1. Approval of Agenda 07/11/17
2. Approval of Minutes 06/27/17
3. Ratification of Vouchers 07/04/17
4. Approval of Vouchers 07/11/17
5. Project Acceptance: Skagit Farmers Supply, Avon Allen Road (Mount Vernon)

The motion passed.

There were no audience comments.

Under Old Business:
6. Manager’s Report - Manager Sidhu reported on the following items:
   • Manager Sidhu gave a brief history of new employee Joyce Hill, who was hired as the Senior Accountant/Deputy Auditor to fill the position vacated by Sally Saxton when appointed Treasurer/Finance Manager.
   • The Lake Samish group requesting water service are proceeding with seeking assistance in Whatcom County and will be attending the Samish Water District meeting on July 13.
   • The District selected Ross Ardrey, NW Management Consulting, for the compensation study and he will begin interviews with non-represented employees next week.
   • The Request for Qualifications (RFQ) for architectural Consulting Services are due by Friday, July 14.
   • Request for Proposals for a content management system are due Wednesday, July 19.

7. Quarterly Report – Customer Service/Community Relations/Meters
Community Relations Manager Tate presented a quarterly update regarding the Customer Service, Community Relations and Meter Departments, including online bill payment; auto pay; outsourcing of billing; Plexiglas installation at the Customer Service windows; pilot program for automated meter maintenance; large meter testing and repair program; 2016 water use efficiency report is available online; school group tours of the WTP; and Skagit River Salmon Festival is scheduled for September 9 at Edgewater Park in Mount Vernon.

Under New Business:

8. Governance Policy Revisions - Action
   General Manager Sidhu stated that he added one revision to Section 7.2.2., which addresses Commission obligation to disclose any conflicts of interest as defined in Chapter 42.23 RCW. Commissioner Berg moved to approve the revised Governance Policy dated June 27, 2017. The motion passed. Commissioner Littlefield stated he assumed that if a conflict comes up following the first meeting in January the Commission should bring it up at a meeting; Attorney Gilbert replied yes.

9. Commission Priorities and Goals for 2018 Budget – Discussion
   Manager Sidhu stated that he began this process last year and asked that between now and the next meeting if the Commission could fill out and return the questionnaires to him.

    General Manager Sidhu stated that the Commission has been presented with easement documents and asked that they review them prior to the meeting of July 25. Discussion ensued regarding various aspects of the proposed documents. Manager Sidhu stated that Capital Project Manager Semrau would be attending the 7/25 meeting to answer questions. Commissioner Berg stated he believes the discussion should be in executive session. Commissioner Robertson asked that an executive session be scheduled for 7/25 for one hour.

At this time, President Robertson recessed the regular meeting to go into executive session per RCW 42.30.110(1)(b) for an approximate duration of 15 minutes. The meeting was recessed at 5:10 PM. He stated that no decisions would be made following the executive session.

The executive session convened at 5:12 PM.

President Robertson reconvened the regular meeting of the Commission at 5:33 PM.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of July 11, 2017 was adjourned at 5:36 PM.

Respectfully submitted:
Kim Carpenter
Clerk of the Board
July 25, 2017

Board of Commissioners
Public Utility District No. 1 of Skagit County
Post Office Box 1436
1415 Freeway Drive
Mount Vernon, WA 98273-1436

RE: Project Acceptance

Name of Project: Fairhaven Court, 6 Lot Short Plat
Reference: C.O. #4941, Project # 3649
Location: Burlington
Developer: Grandview North LLC
Contractor: E & D Excavating Inc.

Gentlemen:

The District has approved the plans and specifications and has inspected the installation of the new water plant within the above project. The Engineering Department has received satisfactory pressure and bacteriological test results. All documentation for this project has been completed.

I recommend that the Commission of the District accept this project.

Respectfully submitted,

Mark Handzlik, P.E.
Engineering Manager

cmp

Attachment

cc: George J. Sidhu P.E., General Manager
    Michael E. Demers, Engineering Technician
July 25, 2017

Board of Commissioners
Public Utility District No. 1 of Skagit County
Post Office Box 1436
1415 Freeway Drive
Mount Vernon, WA 98273-1436

RE: Project Acceptance

Name of Project: Skagit County Jail
Reference: C.O. # 4836, Project # 3530
Location: Mount Vernon
Developer: Skagit County
Contractor: Interwest Construction

Gentlemen:

The District has approved the plans and specifications and has inspected the installation of the new water plant within the above project. The Engineering Department has received satisfactory pressure and bacteriological test results. All documentation for this project has been completed.

I recommend that the Commission of the District accept this project.

Respectfully submitted,

Mark Handzlik, P.E.
Engineering Manager

cc: George J. Sidhu, P.E., General Manager
    Michael E. Demers, Engineering Technician
Agenda Item #5
## SKAGIT PUD DEBT REPAYMENT AMOUNTS
### AS OF JUNE 30, 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Senior Lien Bond Debt</th>
<th>Public Works Trust Fund Loan Debt</th>
<th>Drinking Water State Revolving Fund Loan Debt</th>
<th>Total Principal and Interest Outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coupon Rates</td>
<td>Mature Date</td>
<td>Bev Bal</td>
<td>Interest Rates</td>
</tr>
<tr>
<td>2008 Refunding</td>
<td>3.5% - 4.25%</td>
<td>Jul 2018</td>
<td>8,835,531</td>
<td>0.50%</td>
</tr>
<tr>
<td>2009B BAB</td>
<td>2.7% - 3.79%</td>
<td>Jul 2029</td>
<td>3,690,000</td>
<td>0.50%</td>
</tr>
<tr>
<td>2016 Revenue</td>
<td>2.65% - 10.00%</td>
<td>Jul 2036</td>
<td>6,300,000</td>
<td>0.26%</td>
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<tr>
<td>2001 WTP Controls</td>
<td>1.00%</td>
<td>Jun 2018</td>
<td>300,000</td>
<td>2001 Transmission Line</td>
</tr>
<tr>
<td>2001 WTP Controls</td>
<td>1.0%</td>
<td>Oct 2022</td>
<td>77,520</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,312,083</td>
<td>182,645</td>
<td>2.65% - 4.25%</td>
<td>1,104,919</td>
<td>30,435</td>
<td>0.25% - 1.00%</td>
<td>266,022</td>
<td>21,687</td>
<td>1.50%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2018</td>
<td>1,163,588</td>
<td>317,332</td>
<td>2.65% - 4.25%</td>
<td>1,356,201</td>
<td>31,831</td>
<td>0.25% - 1.00%</td>
<td>266,022</td>
<td>17,697</td>
<td>1.50%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2019</td>
<td>495,267</td>
<td>275,032</td>
<td>2.65% - 3.79%</td>
<td>1,281,201</td>
<td>25,115</td>
<td>0.25% - 0.50%</td>
<td>266,022</td>
<td>13,707</td>
<td>1.50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>511,717</td>
<td>261,500</td>
<td>2.65% - 3.79%</td>
<td>1,281,201</td>
<td>19,150</td>
<td>0.25% - 0.50%</td>
<td>266,022</td>
<td>9,720</td>
<td>1.50%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2021</td>
<td>529,157</td>
<td>244,595</td>
<td>2.65% - 3.79%</td>
<td>1,281,201</td>
<td>13,185</td>
<td>0.25% - 0.50%</td>
<td>266,022</td>
<td>5,726</td>
<td>1.50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>541,389</td>
<td>227,521</td>
<td>2.65% - 3.79%</td>
<td>738,777</td>
<td>7,220</td>
<td>0.25% - 0.50%</td>
<td>115,706</td>
<td>1,736</td>
<td>1.50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>563,815</td>
<td>210,063</td>
<td>2.65% - 3.79%</td>
<td>176,282</td>
<td>3,966</td>
<td>0.25%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2024</td>
<td>561,112</td>
<td>192,166</td>
<td>2.65% - 3.79%</td>
<td>176,282</td>
<td>3,526</td>
<td>0.25%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2025</td>
<td>599,262</td>
<td>173,038</td>
<td>2.65% - 3.79%</td>
<td>176,282</td>
<td>3,085</td>
<td>0.25%</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>2026</td>
<td>617,303</td>
<td>153,641</td>
<td>2.65% - 3.79%</td>
<td>176,282</td>
<td>2,644</td>
<td>0.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2027</td>
<td>542,412</td>
<td>399,339</td>
<td>3.79% - 10.00%</td>
<td>176,282</td>
<td>2,204</td>
<td>0.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2028</td>
<td>570,033</td>
<td>366,003</td>
<td>3.79% - 10.00%</td>
<td>176,282</td>
<td>1,763</td>
<td>0.25%</td>
<td></td>
<td></td>
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<tr>
<td>2029</td>
<td>614,704</td>
<td>327,250</td>
<td>3.79% - 10.00%</td>
<td>176,282</td>
<td>1,322</td>
<td>0.25%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2030</td>
<td>297,049</td>
<td>286,845</td>
<td>10.00%</td>
<td>176,282</td>
<td>881</td>
<td>0.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2031</td>
<td>327,167</td>
<td>256,723</td>
<td>10.00%</td>
<td>176,282</td>
<td>441</td>
<td>0.25%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2032</td>
<td>359,725</td>
<td>224,169</td>
<td>10.00%</td>
<td></td>
<td></td>
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<tr>
<td>2033</td>
<td>396,610</td>
<td>167,084</td>
<td>10.00%</td>
<td></td>
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<tr>
<td>2034</td>
<td>437,042</td>
<td>146,852</td>
<td>10.00%</td>
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<tr>
<td>2035</td>
<td>481,353</td>
<td>102,641</td>
<td>10.00%</td>
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<tr>
<td>2036</td>
<td>530,012</td>
<td>53,885</td>
<td>10.00%</td>
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</tr>
</tbody>
</table>

$ Change from previous month: $251,282 paid June 1

$21,555,858
$4,804,871
$26,360,729

Total Principal Outstanding: $21,555,858
Total Interest Outstanding: $4,804,871
Total Debt Repayment: $26,360,729

2017 Weighted Interest Rate: 2.08%
## PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY
### TREASURER REPORT

For the month ending June 30, 2017

| Resources: | REVENUE FUND | CAPITAL PROJECT FUND | SYSTEM DEVELOPMENT FUND | DEBT SERVICE FUND | RATE STABILIZATION FUND | COMBINED | | | | | COMBINED |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Projects | Restricted | Debt Reserve | Bond Starking | Bond Reserve | | | | | | |
| External Revenue: | | | | | | | | | | |
| Water Customer Receipts | 1,610,000 | | 1,610,000 | | | | | | | |
| System Development Fees | 129,129 | | 129,129 | | | | | | | |
| Capital Contributions | 134,859 | | 134,859 | | | | | | | |
| Grants | 0 | | 0 | | | | | | | |
| LUD Assessments, Interest, Penalties | 6,086 | | 6,086 | | | | | | | |
| Investment Income | 364 | 315 | 4,864 | 1,422 | 309 | 73 | 0 | 21,875 | (3,720) | 19,105 |
| Non-Operating Revenues | 21,875 | 315 | 4,864 | 130,651 | 309 | 73 | 0 | 1,659,401 | 1,701,350 | 1,624,540 |
| Total External Revenue | 1,733,805 | 315 | 4,864 | 130,651 | 309 | 73 | 0 | 1,659,401 | 1,701,350 | 1,624,540 |
| Debt Proceeds: | | | | | | | | | | |
| Debt Proceeds - DWRSF Loan Draw | 1,331,657 | | | | | | | | | |
| Debt Proceeds - Dep. of Ecology Loan | 0 | | | | | | | | | |
| Debt Proceeds - Bonds | 0 | | | | | | | | | |
| Total Debt Proceeds | 1,331,657 | 0 | 0 | 0 | 0 | 0 | 0 | 1,331,657 | 0 | 0 |
| Transfers from Other Funds: | | | | | | | | | | |
| Debt Reserve = Revenue Fund 200,063 | 200,063 | | | | | | | | | 102,873 |
| Debt Reserve = System Development Fund 85,741 | 85,741 | | | | | | | | | 39,021 |
| Revenue Fund = Debt Reserve 2,671,790 | 2,671,790 | | | | | | | | | 2,654,242 |
| Debt Reserve = Bond Starking Fund | 3,239 | 3,239 | | | | | | | | |
| Bond Reserve = Construction Fund | 0 | 0 | | | | | | | | |
| Capital Projects = Revenue Fund | 0 | 770,000 | 0 | 0 | 0 | 0 | 0 | 770,000 | 0 | 0 |
| Capital Projects = System Development Fund | 2,671,790 | 0 | 0 | 0 | 289,044 | 0 | 0 | 0 | 2,960,834 | 3,542,871 |
| Total Transfers to Other Funds | 2,671,790 | 0 | 0 | 0 | 289,044 | 0 | 0 | 0 | 2,960,834 | 3,542,871 |
| Total Revenue | 5,773,732 | 315 | 4,864 | 130,651 | 289,044 | 0 | 0 | 0 | 5,201,892 | 5,242,117 |
| Dues: | | | | | | | | | | |
| Operating Expenditures: | | | | | | | | | | |
| Operations and Maintenance 946,012 | 946,012 | | | | | | | | | 1,081,062 |
| Utility and Special Taxes 69,226 | 69,226 | | | | | | | | | 334 |
| Total Operating Expenditures 1,014,239 | 1,014,239 | | | | | | | | | 1,154,217 |
| Capital Expenditures: | | | | | | | | | | |
| Capital Projects 1,138,196 | 79,878 | 4,766 | 1,217,860 | 389,707 | 391,625 |
| Total Capital Expenditures | 1,138,196 | 79,878 | 4,766 | 0 | 0 | 0 | 0 | 0 | 1,217,860 | 389,707 |
| Debt Service Payments: | | | | | | | | | | |
| Interest Expense 246,075 | 246,075 | | | | | | | | | 41,468 |
| Federal Tax Credit for 20066 Bonds (30,000) | (30,000) | | | | | | | | | 0 |
| Principal Payments 2,417,002 | 2,417,002 | | | | | | | | | 1,104,916 |
| Total Debt Service Payments 2,635,091 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,635,091 | 1,146,003 |
| Transfers to Other Funds: | | | | | | | | | | |
| Revenue Fund = Debt Reserve 200,063 | 200,063 | | | | | | | | | 102,873 |
| System Development Fund = Debt Reserve 85,741 | 85,741 | | | | | | | | | 39,021 |
| Debt Reserve = Revenue Fund 2,671,790 | 2,671,790 | | | | | | | | | 2,654,242 |
| Bond Starking Fund = Debt Reserve 3,239 | 3,239 | | | | | | | | | 34,135 |
| Construction Fund = Bond Reserve 0 | 0 | | | | | | | | | |
| Revenue Fund = Capital Projects 0 | 770,000 | 0 | 0 | 0 | 0 | 0 | 0 | 770,000 | 0 |
| System Development Fund = Capital Projects 200,063 | 0 | 0 | 85,741 | 2,671,790 | 3,239 | 0 | 0 | 2,960,834 | 3,542,871 |
| Total Transfers to Other Funds 200,063 | 0 | 0 | 85,741 | 2,671,790 | 3,239 | 0 | 0 | 2,960,834 | 3,542,871 |
| Total Expenditures 4,981,417 | 78,678 | 4,786 | 85,741 | 2,671,790 | 3,239 | 0 | 0 | 7,823,852 | 7,095,003 |
| Increase (Decrease) in Fund Balance 706,356 | (76,563) | 58 | 44,609 | (2,382,443) | (3,239) | 73 | 0 | (1,921,969) | (1,952,869) |

### June 2016 | June 2015
---|---
COMBINED | COMBINED
---|---
1,344,319 | 1,468,277
70,720 | 227,096
76,180 | 88,818
0 | 0
20,454 | 23,468
7,451 | 3,528
766
21,875 | (13,720)
19,105
1,701,350 | 1,624,540
0 | 0
0 | 0
0 | 0
1,331,657 | 0
0 | 0
0 | 0
0 | 0
0 | 0
200,063 | 102,873
85,741 | 39,021
2,671,790 | 2,654,242
3,239 | 34,135
0 | 0
0 | 0
0 | 0
0 | 0
2,960,834 | 3,542,871
3,239 | 34,135
0 | 0
0 | 0
0 | 0
0 | 0
0 | 0
1,921,969 | 1,427,604

### PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY
### TREASURER REPORT

**For the six months ending June 30, 2017**

<table>
<thead>
<tr>
<th>Resources</th>
<th>REVENUE FUND</th>
<th>CAPITAL PROJECT FUND</th>
<th>SYSTEM DEVELOPMENT FUND</th>
<th>DEBT SERVICE FUND</th>
<th>RATE STABILIZATION FUND</th>
<th>COMBINED</th>
<th>ANNUAL BUDGET</th>
<th>PERCENTAGE OF BUDGET REALIZED</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Customer Receipts</td>
<td>9,496,413</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Development Fees</td>
<td>744,514</td>
<td>733,822</td>
<td>9,496,413</td>
<td>20,600,259</td>
<td>45.73%</td>
<td>9,595,185</td>
<td>8,051,416</td>
<td></td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>141,852</td>
<td>144,931</td>
<td>10,960</td>
<td>988.99%</td>
<td>75,648</td>
<td>658,669</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>0</td>
<td>297,500</td>
<td>0.00%</td>
<td>71,767</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LID Assessments, Interest, Penalties</td>
<td>0</td>
<td>52,833</td>
<td>49,012</td>
<td>107.80%</td>
<td>15,612</td>
<td>7,794</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>120,194</td>
<td>120,194</td>
<td>257,888</td>
<td>46.89%</td>
<td>64,795</td>
<td>153,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Operating Revenues</td>
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<td>Total External Revenue</td>
<td>10,430,277</td>
<td>968</td>
<td>23,967</td>
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<td>2,256</td>
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<td>Debt Proceeds - OWRIP Loan Draws</td>
<td>3,293,798</td>
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<td>Debt Proceeds - Dept. of Ecology Loan</td>
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<td>Total Debt Proceeds</td>
<td>3,293,798</td>
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<tr>
<td>Debt Reserve = Revenue Fund</td>
<td>210,727</td>
<td>1,200,727</td>
<td>2,688,381</td>
<td>46.39%</td>
<td>1,235,663</td>
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<tr>
<td>Debt Reserve = System Development Fund</td>
<td>514,576</td>
<td>514,931</td>
<td>881,800</td>
<td>52.41%</td>
<td>337,429</td>
<td>377,446</td>
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<tr>
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<td>0</td>
<td>0</td>
<td>2,004,841</td>
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<td>Debt Reserve = Bond Service Fund</td>
<td>3,239</td>
<td>3,239</td>
<td>0</td>
<td>10,126</td>
<td>34,135</td>
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<td></td>
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<tr>
<td>Bond Reserve = Revenue Fund</td>
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<td>90,361</td>
<td>90,361</td>
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<td>770,000</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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<td>57,668</td>
<td>6,021,079</td>
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<td>Interest Expense</td>
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<td>233,000</td>
<td>(71,615)</td>
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<td>2,688,381</td>
<td>46.39%</td>
<td>1,034,897</td>
<td>995,043</td>
<td></td>
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</tr>
<tr>
<td>System Development Fund = Debt Reserve</td>
<td>514,576</td>
<td>514,931</td>
<td>881,800</td>
<td>52.41%</td>
<td>337,429</td>
<td>377,446</td>
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<tr>
<td>Debt Reserve = Revenue Fund</td>
<td>2,001,183</td>
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<td>2,004,841</td>
<td>0</td>
<td></td>
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</tr>
<tr>
<td>Bond Service Fund = Debt Reserve</td>
<td>3,239</td>
<td>3,239</td>
<td>0</td>
<td>10,126</td>
<td>34,135</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Fund = Bond Reserve</td>
<td>90,361</td>
<td>90,361</td>
<td>90,361</td>
<td>100.00%</td>
<td>90,361</td>
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<td></td>
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</tr>
<tr>
<td>Revenue Fund = Capital Projects</td>
<td>0</td>
<td>770,000</td>
<td>0</td>
<td>0</td>
<td>770,000</td>
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<tr>
<td>Total Transfers to Other Funds</td>
<td>1,200,727</td>
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<td>50,000</td>
<td>2,688,381</td>
<td>3,239</td>
<td>20,600,516</td>
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<td>(1,210,306)</td>
<td>91,964</td>
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<td>(1,254,204)</td>
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June 20, 2017

TO: Commission
FROM: George Sidhu, P.E., General Manager

SUBJECT: Revisions to Water Policy Manual
Temporary Water Service Section 2.7

Requested Action:
No action required, for discussion purposes only.

Background:
Section 2.7 of the District’s Water Policy Manual addresses temporary water service and revisions are proposed for 2.7.1 (Short Term Water Service) and 2.7.2 (Seasonal Water Service). Attached you will find the proposed revisions within the current policy.

Please review the proposed revisions for discussion at the meeting of July 25.

Fiscal Impact:
There is no fiscal impact.

kac
2.7 Temporary Water Service

2.7.1 Short-term Water Service at a Fixed Location

At the District’s discretion, temporary water service may be provided to accommodate special needs for water service at a fixed location on a short-term basis (e.g., on-site needs for construction activities or summer irrigation). Temporary water service may be provided from a flushing assembly or fire hydrant or flushing assembly at a location specifically designated for this purpose by the District. Short-term water service may be authorized for a period not exceeding 30-90 days. Upon expiration of the initial 30-90-day period, a Customer may request an extension of temporary service for one additional 30-day period. No more than one extension will be granted, unless authorized by the General Manager.

When an Applicant desires to apply for short-term water service at a fixed location, the following procedures apply: Procedures for authorizing short-term use shall be as follows:

- When an Applicant desires to use a fire hydrant for short-term water service at a fixed site, the following procedures apply:
  - The Applicant shall obtain a Hydrant Use Permit from the District and retain a copy at the site accessing the hydrant or flushing assembly.
  - Metering and backflow protection is required for this type of use. The Applicant shall obtain a fire hydrant meter and backflow device from the District for use at the identified location. The Applicant will be charged for use of the meter and for actual water used, based on the appropriate District Rate Schedule(s) in Appendix A.
  - District staff will install the fire hydrant meter and backflow device at the designated fire hydrant, and the meter will be chained and locked securely to the fire hydrant. A placard will be placed at the fire hydrant that indicates a Hydrant Use Permit has been obtained.
  - The Applicant shall utilize only the hydrant or flushing assembly specifically designated by the Hydrant Use Permit.
  - The Applicant shall obtain a placard from the District that indicates a Hydrant Use Permit has been obtained. At any time a hydrant is being used, the Applicant shall display this placard in a prominent position clearly visible from the street. The Applicant shall not provide this placard to any other person. If the Applicant desires to move the fire hydrant meter to a different location, the District must be contacted and a separate Hydrant Use Permit must be obtained. If the Applicant moves the fire hydrant meter without the District’s permission, the Hydrant Use Permit will be revoked. Multiple violations of the Hydrant Use Permit conditions will result in the denial of future short term water service permit applications.
2.7.2 Seasonal Water Service

Seasonal water service may be provided to accommodate special needs for intermittent use by a mobile water tank. The seasonal water service may be provided from multiple fire hydrants or flushing assemblies at locations directed by the District, but additional backflow protection and routine testing will be required. Seasonal water service may be authorized for a period not exceeding 180 days, unless authorized in writing by the General Manager.

When an Applicant desires to apply for seasonal water service, the following procedures apply:

- The Applicant shall obtain a Hydrant Use Permit from the District and retain a copy in the mobile water tank.
- Metering and a higher degree of backflow protection are required for this type of use. The Applicant shall obtain a fire hydrant meter from the District, but the Applicant must provide their own Reduced Pressure Backflow Assembly (RPBA) for use with the hydrant meter. The Applicant will be charged for use of the meter and for actual water used, based on the appropriate District Rate Schedule(s) in Appendix A.
- Prior to the District issuing the Hydrant Use Permit, the Applicant will be responsible for having the RPBA tested by a certified Backflow Assembly Tester (BAT) and bringing the test result and the RPBA to the District for verification prior to the first use of the hydrant meter, and every month after that. District staff will then assemble the fire hydrant meter and the RPBA, and instruct the Applicant on the use of the meter and the operation of the fire hydrants.
- The Applicant is responsible for keeping a list of the locations where the fire hydrant meter was used (closest address or street intersection) and the amounts of water used when submitting a payment to the District. The Seasonal Water Service Usage Log Sheet will be provided by the District and the Applicant is required to keep it up to date.
- If the RPBA is damaged and/or unable to obtain a passing test, the Applicant is responsible for providing a new RPBA which has received a passing test from a BAT. If the Applicant fails to submit the test results in a timely manner, the Hydrant Use Permit will be revoked. Multiple violations of the Hydrant Use Permit conditions will result in the denial of future seasonal water service applications.
- The Applicant is required to contact the District Billing Department every 30 days to notify the District of the water usage for creation of a bill. If the Applicant fails to call in the water usage, the Hydrant Use Permit will be revoked. Multiple violations of the Hydrant Use Permit conditions will result in the denial of future seasonal water service applications.

- When an Applicant desires to use a fire hydrant for short-duration purposes at a fixed site (i.e., not exceeding three days), or for intermittent use by a mobile water tank (e.g., tanks on hydro seeding or public works maintenance vehicles), the procedures from paragraph (a) above shall apply, PLUS the Customer shall utilize a backflow-prevention device approved by the District. As a condition of obtaining a Hydrant Use Permit, the Applicant shall permit District inspection of equipment to be used, to ensure backflow-prevention assemblies are adequate.
2.7.2 Temporary Water Service for Relatives of District Customers Occupying Temporary Housing on the Same Lot or Property (1511-90)

Section 2.4.4 indicates that a separate metered service connection is required for each dwelling. There are cases wherein the need for domestic water to a second dwelling on the same lot and/or property may be required on a temporary basis; e.g., temporary housing for parents or in-laws, dependent relatives, etc.

The District will consider variances to the separate meter requirement and allow a single meter for two residences on a single lot, in conjunction with written approval or Special Use Permits for the temporary dwelling approved by the appropriate County or City planning department.

If the appropriate agency approves the application for placement of a temporary mobile home for relatives, the District will permit two dwellings to be served from one metered service. At such time as the Applicant’s relative or the Applicant is no longer living in the temporary dwelling, the variance allowing two dwellings on one metered service will no longer be allowed and service to the temporary dwelling must be disconnected.

Applications for a variance to allow two dwellings to be served by one metered service will require a copy of the written authorization from the agency that issued said permit.

Any variance issued under the authority of this subsection will require approval of the General Manager, and the Applicant will be required to enter into a written agreement acknowledging this District variance is temporary.

2.7.3 Fire Hydrant Use

No person shall operate or tamper with a fire hydrant connected to the District’s water system, without the express written approval of the District or, in the case of an emergency threatening life or property, the approval of an authorized representative of the appropriate fire department. In addition to the penalty established in Section 2.2.6, any person violating this provision shall pay for basic charge equivalent to a 4-inch monthly charge for each month of use and the amount of water used, as estimated by the District and based on the applicable rate schedule.

Water Services for Fire Protection (179)

- A water service for fire protection must be fitted with such fixtures only as are needed for fire protection and entirely disconnected from those used for other purposes. In no case shall any tap be made upon any pipe used for fire service purposes or any tank connected therewith, nor shall the use of any water be permitted through any fire service nor through any pipe, tanks, or other fixtures therewith connected, for any purpose except for extinguishing fire on the premises.

- The full cost of installing fire protection lines including service from the mains must be borne by the Customer.

- Rates for fire protection services are provided in Appendix A.
No charge will be made for water used from fire protection service in extinguishing fire on the premises, if the owner or occupant of premises where such fire occurs gives written notice to the office of the General Manager within 10 days from the time of such fire and is attested to by a representative of the government having fire jurisdiction.

In event the General Manager determines that a Customer having a fire protection service may be using water from same in violation of paragraph (a) of this Section, a double check detector meter shall be installed on the fire-service line, without prior notice being given the Customer.

Should experience subsequent to such installation show that no water was being used in violation of paragraph (a) of this section, (either through no use being registered on the double check detector meter after installation or no increased use being registered on the regular meter after the fire line was metered) then the District shall make no charge for such installation and charges for fire protection service shall continue on the basis of paragraph (c) above as long as no use is registered.

Should experience subsequent to the installation of the double check detector meter indicate that water was being used in violation of paragraph (a) of this section, then the District shall charge the Customer for the cost of such installation and a meter charge for at least two meter reading cycles for each month of use.

In event that the procedure outlined in the third paragraph of subsection (e) above takes place, the Customer will become liable for appropriate water charges to compensate the District for the estimated quantity of water used during the period when paragraph (a) of this section was being violated.

**No Guarantee for Fire Protection**

Notwithstanding all other provisions for fire protection, or for other metered service, including water furnished to any fire hydrant or other equipment used, or which may be used for fire protection purposes, it is understood that the District cannot guarantee any minimum quantities of water or pressure of the water to be furnished for fire protection or water service, and the District shall not be liable in any manner for any loss or claim by reason of the quantity of water, or pressure of the same furnished for fire protection.
July 18, 2017

TO: George Sidhu, P.E., General Manager

FROM: Mark Handzlik, P.E., Engineering Manager

SUBJECT: Guterman Leak Detection Equipment Purchase

Requested Action:
Authorize the General Manager to enter into a sole source purchase agreement with Gutermann for leak detection loggers and equipment.

Background:
The District does not have an active leak detection program. While the Engineering, Operations, and Customer Service work together to identify water consumption discrepancies, other programs are required to find resolution along with better metering.

The Gutermann leak detection program is planned to work in concert with other District programs. These programs include upgrading and installing mainline meters and employing satellite imagery. The Gutermann system will enhance the satellite imagery to better pinpoint where leaks may be occurring.

Researching similar products has shown that there are several vendors with similar equipment. These vendors have been explored at trade shows, through web searches, and conversations with vendors. Quotes for three similar products were received. The significant difference between the Gutermann product and the others is that they do not do direct correlation with the loggers and they host the data.

Last, quotes for similar products were received for two similar products. The Gutermann product is quoted approximately $1,600.00 (including tax) more than the lowest priced product, however that product does not correlate.

Fiscal Impact:
The cost of the Gutermann leak detection system is approximately $14,973.00, which includes sales tax. Funding will come from the Operations budget for Inspection Equipment WAT 253-1-6010.

kac
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY

Sole Source Justification Form

Vendor Name: Gutermann
Address: 12543 Forest Drive
City, State, Zip: Thornton, CO 80241
Phone Number: (303) 888-9313
Contact Person: Tyler Simpson

1. **Description of Item** (be specific including part number, quantity, quality, type desired, proposed delivery date and any other significant terms of the purchase).

   The Zonescan 820 package includes the purchase of 10 leak detection loggers, an android tablet, and software. Attached is a brochure and proposal.

2. **This vendor is a sole source because:**

   - sole provider of goods or service that will meet the specialized needs of the District or perform an intended function
   - sole provider of a licensed or patented good or service

3. **What necessary features does this vendor provide which are not available from other vendors?** (be specific)

   After evaluation of similar products, the Gutermann data logger system appears to have the simplest interface for setting up loggers and downloading the information, which is an android based tablet. The GIS integration also appears to be very simple to use. Gutermann provides hardware ownership which does not require a yearly fee and maintenance plan. The Gutermann product also performs correlation within the loggers which the other submittals do not. This is a key feature.

4. **What steps were taken to verify that these features are not available elsewhere?** (list names and phone numbers of other vendors and explain why they were not suitable)

Form revised 05/11/17
Web site searches for comparable products and the hardware used, with follow up
with vendors at trade shows. Vendors include Mid-America Technologies, and
Primayer Phocus3.

Based on our review the Gutermann product appeared to be the simplest
equipment to use. After reviewing the options a field demonstration confirmed
the choice.

Statement of Requestor

My department’s recommendation for sole source is based upon an objective review of
the goods/services being required and appears to be in the best interest of the District. I
know of no conflict of interest on my part or personal involvement in any way with this
request. No gratuities, favor or compromising action have taken place. Neither has my
personal familiarity with particular brands, types of equipment, materials or firms been a
deciding influence on my request to sole source this purchase when other suppliers are
known to exist.

Signature of Requestor

Date

General Manager Approval

☐ Approved    ☐ Denied

George Sidhu, General Manager

Date

Form revised 05/11/17
### Agenda Item #8

12543 Forest Dr., Thornton, CO 80241 ~ 303-888-9313 (Cell) ~ tyler.simpson@gutermann-water.com

<table>
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<th>Item No.</th>
<th>Quantity</th>
<th>Description</th>
<th>Unit Cost</th>
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<td>$850.00</td>
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<td></td>
<td>Comprises 10 Zonescan Loggers</td>
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<td>(Special Introductory 2015 Pricing -$50)</td>
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<td>1</td>
<td>1</td>
<td>Communication Package</td>
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<tr>
<td></td>
<td></td>
<td>*Includes 2 Day Zonescan Training</td>
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<td></td>
<td></td>
<td>2 year Warranty</td>
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</table>

**Total** $13,800.00

*Shipping Not Included*

**PLEASE NOTE:**
Delivery of equipment is 4-6 weeks from receipt of an official order. This quotation is valid for 90 days. We reserve the right to amend prices after this period. **Shipping is not included in this quotation.**
July 20, 2017

TO: George Sidhu, P.E., General Manager
FROM: Mark Handzlik, P.E., Engineering Manager
BY: Mark Semrau, P.E., Capital Project Manager
SUBJECT: Judy Reservoir to Mount Vernon Transmission Line Project
Proposed Easement Agreements with Environmental Bank

Requested Action:
Authorize the General Manager to execute the attached Mitigation Credit Purchase Sale Agreement and the Cost Reimbursement Agreement.

Background:
Included in the District’s 2013 approved Water System Plan is the Judy Reservoir to Mount Vernon Transmission Line Project. This project will complete the construction of a 36-inch diameter transmission line from College Avenue to the Water Treatment Plant. The proposed transmission line will provide required capacity to replace the function of the existing transmission line.

Several workshops were conducted to select the preferred alignment alternative. The selection was based on a weighted evaluation of considerations related to constructability, environmental impacts, community impacts, and operational functionality. The resulting preferred alignment includes a section where easement acquisition is required through the Skagit Environmental Bank.

This topic was and draft documents were introduced for review at the July 11, 2017 regular meeting of the Commission. Resolving the easements and right of way’s for the proposed transmission line are critical items to complete before final design begins.

Fiscal Impact:
Funding for these easement acquisitions are included in the budget forecast for the Judy Reservoir to Mount Vernon Transmission Line Project.

kac
MITIGATION CREDIT PURCHASE SALE AND OPTION AGREEMENT
SKAGIT ENVIRONMENTAL BANK –
PUBLIC UTILITY DISTRICT No. 1 OF SKAGIT COUNTY

This Mitigation Credit Purchase Sale Agreement (“Agreement”) is made by and between CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company (“Bank Sponsor”), and PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, a Washington State public agency (“Buyer”) (collectively “Parties”) this ___ day of ______________, 2017.

1. RECITALS

1.1. With approval and authorization from the Washington State Department of Ecology (“Ecology”), U.S. Army Corps of Engineers (“Corps”), Environmental Protection Agency (“EPA”), Washington State Department of Natural Resources (“DNR”), and Skagit County (“County”) (collectively the “Permitting Authorities”), Bank Sponsor has established a mitigation bank known as the “Skagit Environmental Bank” (“SEB”).

1.2. The SEB is established to primarily operate within a portion the State of Washington’s Water Resource Inventory Area Number 3 (“WRIA No. 3”), which portion constitutes the SEB’s “Service Area.”

1.3. The purpose of the SEB is to provide off-site mitigation for unavoidable impacts to wetlands associated with certain development activity within the Service Area, or outside of the Service Area if specifically approved by the regulatory agencies having jurisdiction over that impact. (Section IV.A.1 of Mitigation Banking Instrument)

1.4. Bank Sponsor is authorized by the Permitting Authorities to operate the SEB and to obtain, hold, sell, and transfer mitigation credits, said credits being units of trade representing the increase in the ecological value of a site, as measured by acreage, functions, and/or values (“Mitigation Credits”).

1.5. Buyer contemplates undertaking a development activity in Skagit County which will require permits and/or approvals (“Permit(s)”) from regulatory agencies and which development activity may require mitigation. Buyer is solely responsible for determining whether such mitigation can be satisfied by its acquisition of Mitigation Credits.

1.6. Buyer wishes to purchase from Bank Sponsor on an exclusive basis no less than ONE (1) Mitigation Credit from SEB and to secure the option to purchase up to FOUR (4) additional mitigation credits to address Project mitigation requirements.

1.7. Bank Sponsor wishes to sell to Buyer Mitigation Credits from the SEB for the Project on the terms and conditions contained in this Agreement.
2. **AGREEMENT**

Now therefore, in consideration of the mutual covenants and conditions and promises contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Bank Sponsor and Buyer agree as follows:

2.1. **Purchase/Sale of Mitigation Credits**

2.1.1. **Purchase/Sale.** Bank Sponsor hereby agrees to sell to Buyer and Buyer hereby agrees to buy from Bank Sponsor no less than ONE (1.0) Mitigation Credits upon all of the terms, covenants, and conditions set forth in this Agreement (“Project Mitigation Credits”)

2.1.2. **Purchase Price.** The purchase price for the Project Mitigation Credits shall be ONE HUNDRED FORTY-FIVE THOUSAND, and 00/100 Dollars (U.S. $145,000.00) for the initial Mitigation Credit Purchased (“Purchase Price”). Should additional mitigation be required the Purchase Price will be adjusted on the basis of ONE HUNDRED FORTY-FIVE THOUSAND and 00/100 Dollars (U.S. $145,000.00) per additional credit (“Additional Purchase Price”).

2.1.3. **Payment.** With the execution of this Agreement, Buyer agrees to pay the Purchase Price to Bank Sponsor. Should additional mitigation be required, the Additional Purchase Price shall be paid at Closing as otherwise provided in this Agreement.

2.2. **Buyer’s Obligations/Limitation on Transfer of Mitigation Credits/Project Information.**

2.2.1. **Mitigation Credits for Project.** Buyer shall be solely responsible for determining whether the Mitigation Credits may be used for the Project to satisfy the requirements of the Permit(s). Bank Sponsor provides no representation or warranty as to the utility or applicability of the Mitigation Credits to the Project or Permit(s). Buyer acknowledges and agrees that Bank Sponsor shall sell the Project Mitigation Credits specifically for the Permit(s) identified in Section 2.2.2 below and that, as of Closing, said credits shall not be thereafter transferable.

2.2.2. **Project.** The Project, Permit(s), and related information is as follows:

see the Map of Impacts attached to this Agreement as Exhibit B

2.2.2.1. Buyer’s name, address, & telephone number:

Public Utility District No. 1 of Skagit County
1415 Freeway Drive, PO Box 1436
Mount Vernon, WA 98273
(360) 424-7104
2.2.2.2. Project Name & Location: Judy Reservoir - Mount Vernon Transmission Line Project – Phase 2. For additional detail see map attached as Exhibit B.

2.2.2.3. Description of Impact(s) to be Compensated for by the Project Mitigation Credits: The impacts currently under evaluation, however, will be determined and detailed in the various permit applications required by the Army Corps of Engineers, Washington State Department of Ecology and others. See Exhibit B.

2.2.3. Disclosure. Buyer acknowledges and agrees that Bank Sponsor may, as part of the process for transferring the Project Mitigation Credits, disclose the information provided under Section 2.2.2 above to the permitting agency(ies) described in Section 2.2.2, the Skagit County Auditor, and the Permitting Authorities.

2.3. Title/Risk of Loss

2.3.1. Conveyance. At Closing, Bank Sponsor shall convey to Buyer, the Project Mitigation Credits, free of liens, encumbrances, restrictions, rights, and conditions, except as expressly provided for herein. Conveyance shall be substantially in the form set out in Exhibit A hereto (“Credit Conveyance”) and shall include a letter from the Bank Sponsor to the Buyer and Permitting Authorities notifying them that credits have been transferred by the SEB to the Buyer for the Project detailed in Section 2.2.2.

2.3.2. Risk of Loss. Bank Sponsor shall bear the risk of loss of the Project Mitigation Credits prior to Closing.

2.4. Representations and Warranties

Bank Sponsor represents and warrants to Buyer that, and closing of this transaction is contingent upon the following being true and accurate at Closing:

2.4.1. Bank Sponsor is authorized by the Permitting Authorities to operate the SEB and to obtain, hold, sell, and transfer Mitigation Credits; and

2.4.2. Bank Sponsor owns the Project Mitigation Credits and has the right to sell said credits to Buyer; and

2.4.3. Bank Sponsor currently has sufficient and uncommitted Project Mitigation Credits to meet the mitigation requirements of the Buyer.
2.5. Closing

2.5.1. Closing and Closing Date. The Closing shall occur as follows: (1) Buyer receives from the Permitting Authorities preliminary approval (which may be verbal only) that the Project Mitigation Credits will constitute sufficient environmental remediation of the Project’s environmental impacts to enable the Permitting Authorities to issue the Permits to Buyer once the Skagit County has received a copy of the fully executed Credit Conveyance document; (2) Buyer delivers to Bank Sponsor, and Bank Sponsor receives from Buyer a check in the amount of the Additional Purchase Price; (3) Bank Sponsor delivers to Buyer the fully executed Credit Conveyance conveying the Project Mitigation Credits to Buyer within two (2) business days of the date on which Bank Sponsor receives the Additional Purchase Price. Buyer shall be responsible for delivering the Credit Conveyance to Skagit County. Bank Sponsor expressly understands and agrees that Buyer’s obligation to close the purchase and sale of the Project Mitigation Credits as contemplated by this Agreement is expressly contingent on Buyer obtaining the preliminary approval of the Permitting Authorities that the Project Mitigation Credits will constitute sufficient mitigation of the Project’s environmental impacts to enable the Permitting Authorities to issue the Permits upon receipt of the fully executed Credit Conveyance instrument.

2.5.2. Limits on Closing Date. The Closing Date shall not be modified without the written approval of Bank Sponsor and Buyer provided however that in the event that the conditions required for Closing cannot be met by the Closing Date, the parties agree to extend the Closing Date for a period not to exceed 30 days to allow all conditions to be met.

2.6. Notice

2.6.1. Except as may be otherwise expressly provided for herein, all notices required or permitted to be given under this Agreement shall be in writing and shall be delivered or sent: (a) in person; (b) by U.S. Mail, postage prepaid and certified with return receipt requested; or (c) by nationally recognized overnight delivery service, prepaid, and addressed as set forth below. Either party may change its address by notifying the other party in writing of the change of address. Notice shall be deemed delivered immediately, if delivered in person, or within two days if sent by any other means set forth in this Section 2.6.

2.6.2. If to Bank Sponsor: Clear Valley Environmental Farm, LLC
1028 Wilmington Way
Redwood City, CA  94062

2.6.3. If to Buyer: As provided in Section 2.2.2 above.
2.7. *Miscellaneous*

2.7.1. **Effective date.** The effective date of this Agreement shall be the earliest date by which both Bank Sponsor and Buyer have both executed this Agreement.

2.7.2. **Assignment.** Buyer’s rights under this Agreement shall not be assigned or apportioned, either voluntarily or by operation of law, without the prior written consent of Bank Sponsor, which shall be in Bank Sponsor’s reasonable discretion. Subject to the foregoing limitation, this Agreement shall inure to the benefit of and be binding upon the Parties’ respective successors and assigns.

2.7.3. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding between the Parties with respect to the purchase and sale of the Project Mitigation Credits and supersedes and replaces any prior agreements and understandings, whether oral or written, between them with respect to said matters.

2.7.4. **Confidentiality.** The existence of this Agreement and the number of Project Mitigation Credits may be disclosed to the permitting agency(ies) described in Section 2.2.2 above and the Permitting Authorities.

2.7.5. **Time.** Time is of the essence of this Agreement.

2.7.6. **Governing Law.** This Agreement shall be construed and interpreted in accordance with the laws of the State of Washington.

2.7.7. **Amendment.** No change or modification of this Agreement shall be valid unless the same is in writing and signed by the Parties. No waiver of any of the provisions of this Agreement shall be valid unless in writing and signed by the party against whom it is sought to be enforced.

2.7.8. **Captions.** The captions of this Agreement have no effect upon its interpretation and are for convenience and ease of reference only.

2.7.9. **Severability.** The unenforceability, invalidity, or illegality of any provision hereof shall not render any other provision unenforceable, invalid, or illegal.

2.7.10. **Computation of Time.** If any date set forth in this Agreement for the delivery of any document or the happening of any event should, under the terms hereof, fall on a weekend or holiday, then such date shall be automatically extended to the next succeeding weekday that is not a holiday.

2.7.11. **Attorneys’ Fees.** In the event either party to this Agreement finds it necessary to
bring an action at law or other proceedings against the other party to enforce any of the terms, covenants, or conditions of this Agreement or any instrument executed pursuant to this Agreement, or by reason of any breach or default under this Agreement, the prevailing party in any such action or proceeding (and any appeal thereof) shall be paid all costs and reasonable attorneys’ fees by the other party. This provision shall survive Closing and shall not be merged into the Credit Conveyance. Venue for any action shall be Skagit County Superior Court.

2.7.12. Acts Beyond Party’s Control. Neither party to this Agreement shall be in default or violation as to any obligation created hereby and no condition precedent or subsequent shall be deemed to fail to occur if such party is prevented from fulfilling such obligation by, or such condition fails to occur due to, forces beyond such party’s reasonable control, including without limitation, destruction or impairment of facilities resulting from breakdown not resulting from lack of ordinary care and maintenance, flood, earthquake, slide, storm, lightning, fire, epidemic, war, riot, civil disturbance, sabotage, proceeding by court or public authority, or act or failure to act by court, public authority, or third party, which forces by exercise of due diligence and foresight such party could not reasonably have expected to avoid.

2.7.13. No Joint Venture. It is not intended by this Agreement to, and nothing contained in this Agreement shall, create any partnership, joint venture, or other arrangements between Buyer and Bank Sponsor. No term or provision of this Agreement is intended to be, or shall be, for the benefit of any person, firm, organization, or corporation not a party to this Agreement, and no such other person, firm, organization, or corporation shall have any right or cause of action hereunder.

2.7.14. Counterparts/Faxes. This Agreement may be executed in one or more counterparts with like effect as if all signatures appeared on one copy. Facsimile transmission of any signed original document (other than the Credit Conveyance) and retransmission of any signed facsimile transmission shall be the same as delivery of an original.
The Parties have executed this Agreement as of the dates set forth below.

CLEAR VALLEY ENVIRONMENTAL FARM, LLC, Bank Sponsor

By ___________________________   ___________________________
    Jeffrey C Poetsch, President                                      Date
    JCPoetsch Advisors, Inc.
    Managing Member SE-Skagit Land, LLC
    It’s Managing Member

PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY

By ___________________________   ___________________________
    George Sidhu, General Manager                                      Date
    Public Utility District No. 1 of Skagit County
    1415 Freeway Drive – PO Box 1436
    Mount Vernon, WA 98273
EXHIBIT A
CONVEYANCE OF MITIGATION BANK CREDITS

THE GRANTOR, CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company, acting as the Bank Sponsor of the Skagit Environmental Bank, an authorized Wetland Mitigation Bank, for ONE HUNDRED FORTY-FIVE THOUSAND, AND 00/100 DOLLARS (U.S. $145,000.00) and other good and valuable consideration, hereby grants, conveys, sets over, warrants and sells to the GRANTEE, PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, a Washington public agency, ONE (1.00) MITIGATION CREDITS derived from the Skagit Environmental Bank.

Dated this _____ Day of ____________________, 2017.

GRANTOR,
CLEAR VALLEY ENVIRONMENTAL FARM, LLC

By _______________________________
Print name _______________________________
Its _______________________________

STATE OF CALIFORNIA }
} ss
County of San Mateo }

I hereby certify that I know or have satisfactory evidence that _____________________ is the person who personally 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 authorized member of CLEAR VALLEY ENVIRONMENTAL FARM, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated this _____ day of ____________________, 2017

____________________________________
Notary Public in and for the State of California,
____________________________________
My appointment expires___________________________
EXHIBIT B

MAP OF IMPACTS
(to be added)
This Agreement is entered into between the Clear Valley Environmental Farm, LLC, herein referred to as the “Clear Valley” and the Public Utility District No. 1 of Skagit County, herein referred to as the “District”.

Clear Valley owns and manages the Skagit Environmental Bank, herein referred to as the “Bank”. The purpose of the Bank is to establish mitigation credits as specified by the Mitigation Banking Instrument. The Bank is located in Skagit County, Washington.

The District owns, operates, and maintains a water transmission pipeline through the Bank. The District intends to construct a second transmission pipeline. The new waterline is necessary for the health and life safety of the citizens of Mount Vernon, south Skagit County. To accomplish this, the District desires acquisition of additional utility easements. In addition, existing recorded and unrecorded easements require incorporation into the Bank and Conservation Easement. These existing and new easements will be incorporated into the Bank through an Amendment to the Mitigation Banking Instrument and an Amendment to the recorded Conservation Easement held by Forterra.

The District will provide easement documents containing the legal descriptions and exhibits of each additional easement to be incorporated into the Bank.

The District agrees to pay Clear Valley for costs incurred in preparing the Amendments and acquiring the necessary approval from the Interagency Review Team and Forterra, the current conservation easement holder. The District and Clear Valley have estimated this cost at approximately $14,400.00 (ten thousand four hundred and no/100 dollars) as outlined in Exhibit A. The exact amount will be determined upon approval of the amendments. With the execution of this Agreement, the District will provide a Five Thousand Dollar ($5,000.00) advance to Clear Valley for these anticipated costs. Thereafter, the District payment will be made monthly for actual costs incurred by Clear Valley.

To the extent that new easements impact the availability of marketable credits, the District agrees to pay Clear Valley for the measurable impact. Payment will be fixed at $145,000 per wetland mitigation credit. Notwithstanding the foregoing, compensation will be limited to only new and/or unrecorded existing easements.

The District agrees to secure any additional required wetland or habitat mitigation requirements for this project exclusively from the Skagit Environmental Bank provided the Permitting Authorities will approve the usage of mitigation banks to address unavoidable adverse wetland and habitat impacts.
CLEAR VALLEY ENVIRONMENTAL FARM, LLC:

Date

Print Title

Signature

Print Name

PUBLIC UTILITY DISTRICT No. 1 OF SKAGIT COUNTY:

Date

George Sidhu, P.E., General Manager

Print Name
EXHIBIT A
ESTIMATED COSTS

Clear Valley Environmental Farm
Skagit County PUD
Easement Implementation
June 19, 2017

**Legal**

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**Contingency**

$2,400

**Estimated Reimbursement**

$14,400