Appendix 2-5

CITY OF OLYMPIA
P.O. BOX 1967
OLYMPIA, WA 98507-1967

Document Title(s) (or transactions contained therein):
Intergovernmental Agreement dated May 24, 2005, for sale of water, assignment of water system accounts, and management of water system between City of Olympia, WA and Public Utility District No. 1 of Thurston County PUD. (Olympia City File #12986). Related to Management, Transfer, Assignment of water accounts and responsibility for Operations and Maintenance of the Tanglewilde and Thompson Place Water System.

Reference Number(s) of Documents assigned or released: (on page ___ of document(s))

Grantor
1. City of Olympia, WA
2. Public Utility District No. 1 of Thurston County, PUD

Grantee(s) (Last name first, then first name and initials)
1. City of Olympia
2. Public Utility District No. 1 of Thurston County, PUD

Legal Description (abbreviated: i.e. lot, block, plat or section, township, range)
Potable water system within public right-of-ways and waterline easements of record located in SW QTR o 11-18N-1W, excepting North half of NE Qtr of SW QTR and except the SE Qtr of SW lying southerly and easterly of plat of Solar Place. Also potable water system within Public right-of-ways and waterline easements of record located in that portion of north half of 15-18N-1W as follows: Bounded on west by Carpenter Rd: bounded on east by Kinwood Rd.; bounded on the south by the south line of plat of Green Briar Place, records of Thurston County, WA; and bounded on the north by centerline of Martin Way; Also, all of the Martin Way right-of-way between Kinwood Rd. and Neil St.; also, the easterly 200 feet more or less of Kinwood Lane, lying between Kinwood Rd. and the intertie valve between the City of Lacey and said water Utility system.

Additional legal is on page 10 of document.

Assessors Property Tax Parcel/Account Number
N/A
Additional legal is on page ___ of document.

The Auditor/Recorder will rely on the information provided on this form. The staff will not read the document to verify the accuracy or completeness of the indexing information provided herein.

I am requesting an emergency nonstandard recording for an additional fee as provided in RCW 36.18.010. I understand that the recording processing requirements may cover up or otherwise obscure some part of the text of the original document.

Signature of Requesting Party
INTERGOVERNMENTAL AGREEMENT FOR
SALE OF WATER, ASSIGNMENT OF WATER SYSTEM
ACCOUNTS, AND MANAGEMENT OF WATER SYSTEM

CF# 12986

THIS AGREEMENT is made and entered into this __________ day of
________, 2005, by and between, the City of Olympia, a Washington municipal
corporation ("City" or "Olympia"), and Public Utility District No. 1 of Thurston County, a
municipal corporation ("PUD"), collectively referred to herein as "the Parties."

WHEREAS, the City owns and operates a municipal water supply system; and

WHEREAS, pursuant to RCW 35.92.170, RCW 35.92.200, and RCW 39.34, the City is
authorized to enter into contracts with another municipality for the supply of water; and

WHEREAS, the City and the PUD are parties to an Agreement for Management of Water
System, dated May 8, 1996 and amended on December 14, 1999, under which the City provides
O & M services to the PUD's water system located in the Tanglewild subdivision and a portion
of the Thompson Place subdivision, which encompasses the area shown in yellow on Exhibit A
hereto ("PUD Water System"); and

WHEREAS, the City owns a water system in a portion of the Thompson Place
subdivision, as well as an area immediately adjacent to the Tanglewild subdivision, which system
encompasses the area shown in green on Exhibit A hereto and which is located outside of the City
and outside of the City’s Urban Growth Area ("the City Water System"); and

WHEREAS, the PUD desires to terminate the Agreement for Management of Water
System; and

WHEREAS, the City desires to transfer ownership and responsibility for operation and
maintenance of the City Water System to the PUD, and assign the water system accounts located
therein to the PUD; and

WHEREAS, the PUD desires to purchase water on a wholesale basis from the City to
supply customers in the PUD Water System and customers within the City Water System to be
acquired from Olympia hereunder; and
WHEREAS, the City presently has water available and surplus to the City's needs;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

Section 1.    Termination of Agreement for Management of Water System

The Agreement for Management of Water System entered into on May 8, 1996, and amended December 14, 1999, ("Management Agreement") is hereby terminated, notwithstanding any notice requirements therein to the contrary. The PUD shall provide written notification to the Washington State Department of Health advising them that as of June 1, 2005 the City will no longer be operating either the PUD or City Water Systems as shown on the attached Exhibit A.

Section 2.    Transfer of Portion of City Water System

All right, title, and interest in and to that portion of the City Water System located in the Thompson Place subdivision, as depicted on Exhibit A and legally described in Exhibit B attached hereto and incorporated herein by reference, are conveyed to the PUD.

Section 3.    Assignment of Water Accounts

The City hereby assigns all City of Olympia water accounts located in the City Water System (as depicted on Exhibit A) to the PUD. The City shall provide the PUD all of the City's electronic and paper data pertaining to such accounts, including distribution diagrams, billing data, water quality information, and telemetry equipment. The PUD shall bear all costs for purchase of any hardware or software necessary to store, or use data provided by the City pursuant to this Agreement. If the PUD's data systems are compatible with the City's data systems, the City will provide technical support to the PUD to facilitate the transfer of digital data in file formats specified by the PUD's software vendors.

Section 4.    Responsibility for Operation and Maintenance of the Tanglewilde and Thompson Place Water System

The PUD shall be solely responsible, and shall bear all cost of, operation and maintenance of the PUD and City Water Systems, unless provided otherwise herein. For a period of six (6) months from the effective date of this Agreement, the City shall provide technical consultation assistance pertaining to operation and maintenance of the PUD and City Water Systems, upon the request of the PUD. As used in this Section, technical consultation shall not include actual labor for installation, repair, or maintenance of any part of said Systems.
Section 5. Agreement to Sell Water

The City agrees to sell to the PUD and the PUD agrees to purchase from the City, a water supply for the PUD and City Water Systems, as follows:

A. For two years from the effective date of this Agreement, the City shall supply up to a maximum of 125 million gallons per year, at a cost of $157,451.00 per year. The City shall bill the PUD one-twelfth of such amount each month, and the PUD shall remit to the City the billed amount within thirty (30) days of the date of billing. The City shall provide the PUD with the actual source meter readings which indicates the exact amount of usage (CCF) for the month being billed.

B. Beginning two years from the effective date of this Agreement, and extending for the remainder of the term, the City commits to providing sufficient water to serve ultimate build out of the service area shown in Exhibit A based on the zoning in effect as of the effective date of this Agreement. This maximum volume of water shall be determined by multiplying the number of equivalent residential units (ERUs) within the area of the PUD and City Water Systems shown on Exhibit A, multiplied by the average gallons per day per ERU consumed in the remainder of the City's water system not being transferred under this Agreement. This maximum volume of water shall be calculated on June 1 of each year, based on the preceding year's data. The monetary rate for water sold under this subsection 5.B shall be determined as set forth in Sections 6 and 7 below.

C. The PUD agrees that it shall use water purchased under this Agreement solely for subsequent retail sale to customers within the boundaries of the PUD and City Water Systems area as depicted in Exhibit A. The PUD agrees that it will implement conservation goals and programs equivalent to those utilized by the City of Olympia for the remainder of its water system that is not subject to this Agreement. “Equivalency” as used in this subsection 5.C shall be measured by the average per person water reduction target used by the City.

D. The PUD shall at its own expense maintain any pump stations necessary to provide water purchased from the City to PUD customers in the PUD and City Water Systems.

E. Section 5.B shall be amended on January 1, 2007 to include the per unit (CCF) rate developed under Section 6 below for all water supplied by the City under Section 5 above. If the agreement is not so amended, prior to January 1, 2007, Sections 5-7 of this Agreement shall automatically terminate without the need for further action by the City and/or the PUD.

F. The City's agreement to sell water hereunder is subject to such restrictions as the City may impose from time to time on its other wholesale and/or retail water customers, and may be suspended in the event of a loss of supply emergency at the City's McAllister Springs water source or at such other source used by the City to supply the PUD under this Agreement.
Section 6. Development of Per Unit (CCF) Water Rate

Upon execution of this Agreement, the PUD and the City will work to develop and mutually agree upon, and recommend to the Olympia City Council a per-unit rate for all water supplied by the City under Section 5 above. The parties intend that the per-unit rate be based upon contemporary cost of service based rate making methodologies, including but not limited to the methodology recommended by the American Water Works Association (AWWA). If the parties' staff do not agree, the parties shall participate in nonbinding mediation by a mutually agreed-upon professional mediator, with the cost of the mediation to be shared equally by the parties. If the mediation is unsuccessful, rate options as recommended by the respective PUD and City staffs shall be presented to the City Council, which shall determine and set the rate.

Section 7. Review of Rate Components

Commencing one (1) year from amendment of this Agreement to incorporate an agreed-upon per-unit rate, the Parties agree to review the terms of this agreement annually. The per-unit rate may be adjusted upwards or downwards to reflect the negotiated results of such review and discussion, if mutually agreed by the Parties and incorporated into this Agreement by amendment.

Section 8. Water Meters

A. Within six (6) months of the effective date of this Agreement, the City will replace the Sparling Tiger Mag meter in the Tanglewilde 1 Pump Station (located at the corner of Olympic Avenue, SE, and Steilacoom Road, SE) with a ABB Mag meter that will match the Tanglewilde 2 meter, located at the corner of Pacific Avenue, SE, and Seahawk Street SE. The City may, on an annual basis thereafter, with prior notification of the PUD enter Tanglewilde 1 and Tanglewilde 2 Pump Stations to inspect and re-calibrate the meters to ensure their accuracy to the satisfaction of both the PUD and City. The City and PUD will jointly (50/50) share the cost of source meter calibration. The PUD reserves the right to institute any security measures necessary to protect the infrastructure of the PUD or City Water Systems and will notify the City 30 days prior to any changes affecting the duties of this section.

B. The PUD and City shall, no later than 18 months after the signing this agreement, replace all water meters in the PUD and City Water System installed prior to 1987. It is agreed that City of Olympia employees or through a contractor will replace the meters and the PUD will pay 50% of the total engineering, project design, bidding if necessary, labor and materials cost. The City of Olympia will provide the PUD monthly costs associated with meter replacement. The PUD will reimburse the City of Olympia for their share of the costs within 30 days of the receipt of notification. Prior to meter replacement under this Section 8.B, the City will supply the PUD with a list of all meters installed in the PUD and City Water Systems before 1987, including the meter number, meter location, and installation date.

C. The City and PUD personnel shall read the two (2) source meters (located at the Tanglewilde 1 and 2 Pump Stations) on the first day of each month or, if the first day of the month falls on a weekend or holiday, on the first regular business day following the first day of the month.
Section 9. Cross Connection Program

A. The PUD shall develop a Cross Connection Program that is consistent with requirements mandated by the Washington State Department of Health for retail customers on the PUD and City Water Systems.

B. In order to protect Olympia's water supply and the PUD's customers from cross contamination, the PUD and the City shall, prior to January 1, 2006 jointly develop a plan to install and inspect cross connection equipment, installed at each source meter, according to the requirements of WAC 246-290-190. Such a plan ("Cross Connection Plan") may be in the form of a cross connection control program approved by the Department of Health for the City and PUD. All cross connection equipment called for in the Cross Connection Plan will be installed at a 50/50 shared expense between the City and PUD and no later than December 31, 2007.

C. The PUD and City shall jointly inspect the cross connection control equipment on the two source meters annually.

Section 10. Effective Date and Termination

This agreement shall become effective on June 1, 2005, and shall run for a term of 20 years from that date unless terminated earlier pursuant to Section 5.E. or this Section 10; provided, however, that the PUD shall exercise due diligence and good faith to locate an alternative source of water supply and to terminate this Agreement prior to the expiration of said term. If the PUD obtains a new source of water (either by contract or obtaining water rights) the PUD may terminate this Agreement on thirty-six (36) months' written notice to the City. If the PUD is unable after the exercise of due diligence and good faith to obtain a new source of water, then, after the passage of eighteen (18) years from the effective date, the PUD may renew this contract for an extended term of similar duration upon the mutual agreement of the City.
PUBLIC UTILITY DISTRICT NO. 1
OF THURSTON COUNTY

By: Paul T. Pickett

Its: President

STATE OF WASHINGTON

) ss.
COUNTY OF THURSTON

On the 27th day of May 2005, before me, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Paul Pickett, to me known to be the President of the Board of Public Utility District No. 1 of Thurston County, a municipal corporation, who executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned and on oath states the he is authorized to execute the said instrument.

WITNESS my hand and official seal the day and year first above written.

Signature

PrintName: Harry H. Paul

NOTARY PUBLIC in and for the State of Washington, residing at Aberdeen

My commission expires 1-15-07

APPROVED AS TO FORM:

Don W. Taylor, PUD General Counsel
CITY OF OLYMPIA:

Mark Foutch, Mayor

STATE OF WASHINGTON) ss.
COUNTY OF THURSTON )

On the 24th day of May, 2005, before me, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Mark Foutch, to me known to be the Mayor of the City of Olympia, a municipal corporation, who executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned and on oath states that he is authorized to execute the said instrument.

WITNESS my hand and official seal the day and year first above written.

Connie J. Nickerson
Signature
Print Name: Connie J. Nickerson
NOTARY PUBLIC in and for the State of Washington, residing at Olympia
My commission expires 10/29/06

APPROVED AS TO FORM:

Bob C. Sterbank, City Attorney

Y:\Legal Interlocal Agreements\PUD Wholesale Water Agreement\Wholesale Water Agreement as revised 0517051.doc
Revision: Mar 17, 2005
EXHIBIT "A"
PUD WATER SYSTEM MAP OF SERVICE AREAS

(LOCATED IN TANGLEWILDE SUBDIVISION AND A PORTION OF THE THOMPSON PLACE SUBDIVISION)

This exhibit does not meet Thurston County’s recording requirements for legibility.

To view or request a copy, please contact the City of Olympia, City Clerk’s Office at 360-753-8325, 900 Plum St, SE, Olympia, WA.
EXHIBIT B

The potable water system within Public right-of-ways and waterline easements of record located in that part of the Southwest Quarter of Section 11, Township 18 North, Range 1 West, W.M.;

EXCEPTING THEREFROM, the North half of the Northeast Quarter of said Southwest Quarter AND EXCEPT the South Half of the Southwest Quarter of said Southwest Quarter AND EXCEPT the Southeast Quarter of said Southwest lying southerly and easterly of the Plat of Solar Place, records of Thurston County, Washington.

ALSO the potable water system within Public right-of-ways and waterline easements of record located in that portion of the North Half of Section 15, Township 18 North, Range 1 West, W.M., described as follows:

Bounded on the West by Carpenter Road; bounded on the East by Kinwood Road; bounded on the South by the South line of the plat of Greenbriar Place, records of Thurston County, Washington; and bounded on the North by the centerline of Martin Way;

ALSO, all of the Martin Way right-of-way between Kinwood Road and Neil Street;

ALSO, the easterly 200 feet more or less of Kinwood Lane, lying between Kinwood Road and the intertie valve between the City of Lacey and said water utility system.