Appendix 2-6

Intergovernmental Agreement with Thurston PUD No. 1 – Amendment No. 2 to Intergovernmental Agreement for Sale of Water, Assignment of Water System Accounts, and Management of Water System (2007)
**CITY OF OLYMPIA**

P.O. BOX 1967

OLYMPIA, WA 98507-1967

SEE RELATED AGREEMENTS

#12986 #18672 #13471

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**Document Title(s) (or transactions contained therein):**

Intergovernmental Agreement Amendment #2 between the City of Olympia and Public Utility District No. 1 of Thurston County (PUD) for Sale of Water, Assignment of Water System Accounts and Management of Water System (agreement) on 27 of May 2005 (Olympia City File # 14065)

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

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**Grantor**

1. City of Olympia
2. Public Utility District No. 1 of Thurston County (PUD)

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**Grantee(s) (Last name first, then first name and initials)**

1. City of Olympia
2. Public Utility District No. 1 of Thurston County (PUD)

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**Legal Description (abbreviated: i.e. lot, block, plat or section, township, range)**

N/A

Additional legal is on page ___ of document.

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**Assessors Property Tax Parcel/Account Number**

N/A

Additional legal is on page ____ of document.

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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.

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Signature of Requesting Party
AMENDMENT #2 TO
INTERGOVERNMENTAL AGREEMENT FOR
SALE OF WATER, ASSIGNMENT OF WATER SYSTEM
ACCOUNTS, AND MANAGEMENT OF WATER SYSTEM

14065

THIS AMENDED AGREEMENT ("Agreement") is made and entered into this
15th day of , 2007, 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 Parties entered into an Intergovernmental Agreement for Sale of
Water, Assignment of Water System Accounts, and Management of Water System
(Agreement) on 27th day of May, 2005; and

Whereas, the Agreement provides in Sections 5 and 6 that after two years the
Parties will amend the agreement to provide a new per unit basis for calculating the charges
to be applied by Olympia for water it is selling to the PUD pursuant to the Agreement; and

Whereas, the Parties amended Section 5E of this Agreement in December, 2006 to
extend the deadline for developing the per unit charges from January 1, 2007 to June 1,
2007; and

Whereas, the Parties have agreed on the new terms to be added to Sections 5 and 6
and on the additional changes that need to be made to the Agreement going forward;

NOW, THEREFORE, the Parties agree that the Amended Intergovernmental Agreement
for Sale of Water, Assignment of Water System Accounts, and Management of Water System
is HEREBY further amended as follows:

Section 5.A is hereby amended to read:

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 in hundred cubic feet (CCF) for the month being billed.

Section 5.B is hereby amended to read:

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.

The rates for water supply services to be paid by the PUD to the City, beginning June 1, 2007 and through December 31, 2007, shall be a fixed annual charge of Fifty-Six Thousand Eight Hundred and Eleven and no/100 Dollars ($56,811), plus seasonal volume charges of $0.55 per CCF November through June, and $1.08 per CCF July through October.

Beginning in 2008 and each calendar year throughout the term of this Agreement, the City has the right to annually increase the fixed and volume charges at the same rate as the published Seattle Consumer Price Index.

The City shall bill the PUD the fixed monthly charge and the calculated volume charges each month, and the PUD shall remit to the City the billed amount within thirty (30) days of the date of the billing. The City shall provide the PUD with the actual source meter readings which indicate the exact amount of usage (in CCF) for the month being billed.

The PUD shall annually report to the City the number of new service connections and their corresponding meter sizes added to the Tanglewilde System during each calendar year by January 30 of the following calendar year. The City shall bill the PUD a General Facilities Charge (GFC) for each new connection at 54.5 percent of the General Facilities Charge assessed to City retail customers. The PUD shall remit to the City the billed amount within thirty (30) days of the billing.

Section 5.E is hereby deleted.

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.

Section 6 is hereby deleted.

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 is hereby amended to read:

Section 7.  Review Adjustment 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.

The City shall be responsible for performing future rate studies to adjust capital costs, operations and maintenance costs, and cost allocation. The Parties agree to amend the fixed charge and volume charges and General Facilities Charges in Section 5.B based on the findings of an updated Cost of Service study to be completed by the City in 2008. The new rates and costs and General Facilities Charges will be effective the calendar year following the completion of the Cost of Service study.

The parties intend that rate adjustments 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 to the rate adjustments, 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 8.A is hereby amended to read:

A. Within six (6) months of the effective date of this Agreement, the City will replace the 'Sparking Tiger Mag' meter in the Tanglewilde 1 Pump Station (located at the corner of Pacific 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 to 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.

Section 8.B is hereby deleted.

B. The PUD and City shall, no later than 18 months after the signing of 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 3.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.

All other terms and conditions of the Agreement remain the same.

PUBLIC UTILITY DISTRICT NO. 1
OF THURSTON COUNTY

By: ________________________________
Its: ______________________________

STATE OF WASHINGTON

COUNTY OF THURSTON

) ss.

On the 15 day of May 2007, before me, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Gary Cooper, 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: ___________________________
Print Name: Julia M. Parker
NOTARY PUBLIC in and for the State of Washington, residing at Chehalis
My commission expires 9/28/2007

APPROVED AS TO FORM:

Don W. Taylor, PUD General Counsel
CITY OF OLYMPIA

By: ____________________________

Its: ____________________________

STATE OF WASHINGTON

) ss.

COUNTY OF THURSTON

On the 16th day of May 2007, before me, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared MARK FOUNTAIN, 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 the he is authorized to execute the said instrument.

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

[Signature]

[Print Name: Nancy E. Lenzi]

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

My commission expires 6-9-08

APPROVED AS TO FORM:

[Signature]

Tom Morrill, Interim City Attorney