

**INTERGOVERNMENTAL AGREEMENT FOR
SALE OF WATER BY THE CITY OF OLYMPIA TO
PUD NO. 1 OF THURSTON COUNTY**

THIS AGREEMENT ("Agreement") is made and entered into 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, pursuant to RCW 35.92.170, RCW 35.92.200, RCW 54.16.090, and chapter 39.34 RCW, the City and the PUD are authorized to enter into a contract or agreement for the delivery and supply of water; and

Whereas, the Parties entered into an Intergovernmental Agreement for Sale of Water, Assignment of Water System Accounts, and Management of Water System (Agreement) in May of 2005, relating to transfer of facilities, services areas, charges for wholesale water and operational transitions; and

Whereas, the Parties executed amendments to the Agreement in December of 2006, May of 2007, and August of 2008 regarding development of the per unit water rate and various terms for setting rates, including the standards/methodology for how the rates and GFC's were to be adjusted in future years; and

Whereas the PUD has made efforts in the past several years to become an independent water purveyor, developing a new water source, large storage tank, and substantially reducing their demand for City of Olympia wholesale water; and

Whereas the PUD is pursuing additional water rights from the Department of Ecology, in order to cease their reliance on City of Olympia wholesale water, and plans to negotiate a mutual aid agreement with Olympia for emergency water supplies once they have obtained these new water rights; and

Whereas, the Parties wish to update the terms of their relationship with respect to the City's sale of water to the PUD for use in what is known as the Tanglewilde and Thompson Place Water System transferred to the PUD by the City in the May 2005 Intergovernmental Agreement;

NOW, THEREFORE, the Parties agree to the following:

Section 1. Replacement of Prior Agreements.

A. The Agreement for Management of Water System entered into on May 8, 1996, and amended December 14, 1999, ("Management Agreement") is terminated by this Agreement, notwithstanding any notice requirements. The PUD was charged with providing relevant written

notice to the Washington State Department of Health advising them that as of June 1, 2005, the City would no longer be operating the system referenced in the Intergovernmental Agreement referenced in Section I.B. herein.

B. The Intergovernmental Agreement for Sale of Water, Assignment of Water System Accounts, and Management of Water System entered into in May of 2005, as amended in December 2006, May 2007, and August 2008, is hereby superseded by this Agreement.

Section 2. Transfer of Portion of City Water System/Clarification of Area

The parties confirm and agree that all right, title, and interest in and to that portion of the City Water System (also known as the Tanglewilde and Thompson Place Water System) located in the Thompson Place subdivision, as depicted and legally described on Exhibit A-1 attached hereto and incorporated herein by reference, has been transferred to the PUD.

Section 3. Assignment of Water Accounts

The City has assigned all City of Olympia water accounts located in what was formerly the City's Water System, depicted on Exhibit A-1, to the PUD. The City has provided 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.

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

The PUD shall be solely responsible, and shall bear all costs of, operation and maintenance of the transferred area depicted in Exhibit A-1, unless otherwise provided herein.

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 under the following terms:

A. Beginning on the effective date of this Agreement and extending for the remainder of its term, the City commits to reserving a maximum of 360 gallons per minute (gpm) instantaneous quantity (Qi) for the PUD to withdraw. This translates to a maximum quantity per month of 20,791 ccf.

The rates for water supply services to be paid by the PUD to the City, beginning as of the date of this Agreement, shall be a fixed annual charge of Sixty-Three Thousand Four Hundred and Thirty-Nine and 32/100 Dollars (\$63,439.32), plus seasonal volume charges of \$0.59 per CCF November through June, and \$0.82 per CCF July through October.

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.

B. The PUD agrees that it shall use water purchased under this Agreement solely for subsequent retail sale to customers within the boundaries of the area depicted in Exhibit A-1, as may be revised or amended consistent with RCW 90.03.386. 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. Equivalency as used in this subsection shall be measured by the reduction target used by the City.

C. 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 Water Systems.

D. All water provided by the City to the PUD will be metered through a master meter owned by the City of Olympia. The City will maintain and read the meter for billing purposes of this Agreement. Both parties shall have access to the meter and, in addition, the PUD shall have access to the City's meter maintenance records. The existing master meter was installed in 2005. If determined necessary during the term of this Agreement, the City may purchase and install a replacement meter at its discretion.

E. 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. Review of Rate Components

A. The City shall be responsible for performing rate studies to adjust capital costs, operations and maintenance costs, and cost allocation. Any costs for these studies will be shared equally with the PUD to the extent they relate to rates and allocable costs under this Agreement.

B. 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 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 staff shall be presented to the City Council, who shall determine and set the rate. The City Council's determination shall be final, subject to compliance with this Agreement and applicable law.

Section 7. Water Meters

A. The City may, with prior notice to the PUD, enter the Tanglewilde 2 Pump Station to inspect and re-calibrate the meter to ensure its 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 Tanglewilde and Thompson Place Water System and will notify the City thirty (30) days prior to any changes affecting the duties of this section.

B. City personnel shall read the source meter at the Tanglewilde 2 Pump Station 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 8. Cross Connection Program


A. The PUD has developed 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—shall, beginning June 30, 2014, conduct annual inspections of cross connection equipment according to the requirements of WAC 246-290-490 and shall send the City Cross Control Program Lead a copy of their annual testing results.

Section 9. Effective Date and Termination

This Agreement shall become effective once fully executed and filed as required by state law. The Agreement shall run for a term of two (2) years from that date unless terminated earlier pursuant to this Agreement; 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 with nine (9) months written notice to the City.

PUBLIC UTILITY DISTRICT NO. 1
OF THURSTON COUNTY

By:  _____
John Weidenfeller

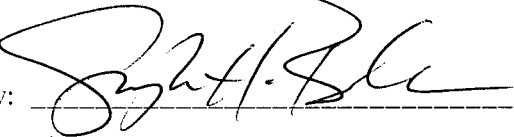
Its: General Manager _____

APPROVED AS TO FORM:




Joe Rehberger
PUD Lead Counsel

CITY OF OLYMPIA

By: 

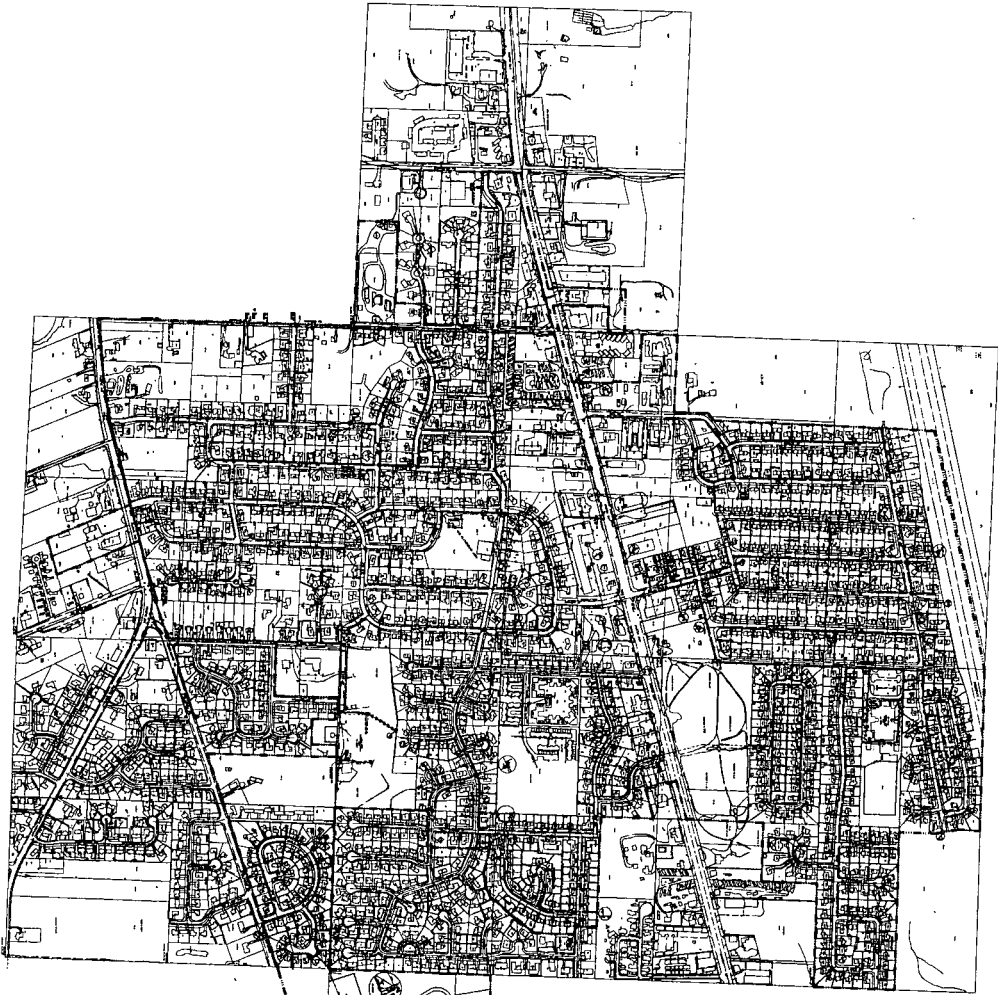
Its: Mayor

APPROVED AS TO FORM:



Assistant City Attorney

EXHIBIT "A-1"

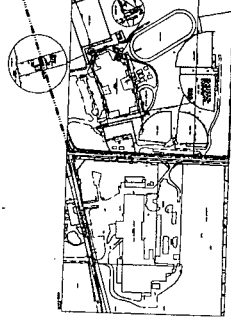


LEGAL DESCRIPTION FOR AREA AND ALIGNED TO
 SERVE UNDER INTERGOVERNMENTAL
 AGREEMENT

The following is a legal description of the area shown on the attached map, which is a portion of the City of Chicago, Illinois, and is being provided for the purpose of the Interlocal Agreement between the City of Chicago and the State of Illinois, dated and captioned as above.

The area is bounded on the north by the intersection of the east line of the Chicago River and the west line of the Chicago River, on the east by the intersection of the east line of the Chicago River and the west line of the Chicago River, on the south by the intersection of the east line of the Chicago River and the west line of the Chicago River, and on the west by the intersection of the east line of the Chicago River and the west line of the Chicago River.

The area is bounded on the north by the intersection of the east line of the Chicago River and the west line of the Chicago River, on the east by the intersection of the east line of the Chicago River and the west line of the Chicago River, on the south by the intersection of the east line of the Chicago River and the west line of the Chicago River, and on the west by the intersection of the east line of the Chicago River and the west line of the Chicago River.



LEGEND

--- ALLIED AREA SERVING TO PROVIDE SERVICE TO INTERGOVERNMENTAL

NOTES

1. THE AREA IS NOT INTENDED TO BE USED FOR ANY OTHER PURPOSE THAN THAT SPECIFICALLY IDENTIFIED IN THE INTERLOCAL AGREEMENT.