

SNOHOMISH COUNTY PUD
2021 Water System Plan
Volume 5 of 16 -
Appendix 2-2

Commission Resolutions 4770-5491
December 2022



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A RESOLUTION Authorizing the General Manager to Execute a Wholesale Water Agreement Providing for the Sale of Water by the District to the City of Arlington.

WHEREAS, the City of Arlington requires a high quality, dependable supply of water in order to serve its current and future retail water service customers; and

WHEREAS, the availability of such a water supply to the City of Arlington is a component of the long-term comprehensive water plans of both the City of Arlington and Public Utility District No. 1 of Snohomish County; and

WHEREAS, the North Snohomish County Coordinated Water System Plan prepared jointly by the State of Washington, Snohomish County, and public water purveyors identifies a common service area boundary between the City of Arlington and the District in the Burn Road area; and

WHEREAS, the District's 1995 Comprehensive Water System Plan identifies a possible intertie between the City of Arlington and the District at Burn Road; and

WHEREAS, the staffs of Arlington and the District have discussed Arlington's purchase of 1,000 gallons per minute of water supply to be obtained in five equal annual increments of 200 gallons per minute each; and

WHEREAS, the District is constructing a Burn Road pipeline in 1998 which can be increased in size to accommodate 1,000 gallons per minute of flow to the City of Arlington; and

WHEREAS, the City of Arlington wishes to purchase water on a wholesale basis from the District for resale by the city to its water utility customers; and

WHEREAS, District staff members have negotiated with representatives of the City of Arlington and recommend that the District enter into a Wholesale Water Agreement substantially in the form attached as Exhibit A hereto providing for the sale of water by the District to the City of Arlington on a wholesale basis until the year 2018; and

WHEREAS, the Board of Commissioners, based upon the information and evaluation provided by staff, believes that it is in the best interests of the District and its ratepayers for the District to sell water to Arlington subject to the terms and conditions set forth in the attached Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Public Utility District No. 1 of Snohomish County hereby approves the sale of water by the District to the City of Arlington on a wholesale basis, subject to the terms and conditions set forth in Exhibit A - "Wholesale Water Agreement," and hereby authorizes and directs the General Manager to execute on behalf of the District a Wholesale Water Agreement substantially in the form set forth in Exhibit A.

PASSED AND APPROVED this 28th day of July, 1998.



President

Vice President



Secretary

5.03.16 SCHEDULE 48---CITY OF ARLINGTON WHOLESALE WATER SERVICE

(1) **AVAILABILITY.** This schedule is available to the City of Arlington only for wholesale water service for resale by the City to its retail water customers. The water will be supplied directly from the District's mains through one master meter located at the boundary between the Arlington Water Service Area and the District's Water Service Area on Burn Road, at the intersection of Burn Road and 172nd Street N.E.

(2) **MONTHLY RATE (COMMODITY CHARGE).**

\$0.753 per 100 cubic feet of water*

(3) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the Wholesale Water Agreement between the District and the City of Arlington, and the District's Water Service Regulations.

(4) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body upon the District.

*The actual monthly rate for each year will be based on the average costs of the preceding year for each of the wholesale cost components as described in Exhibit 2 of the Wholesale Water Agreement between the District and the City of Arlington.

The terms and conditions of the Wholesale Water Agreement by and between Public Utility District No. 1 of Snohomish County (District) and the City of Arlington, as amended from time to time, including but not limited to the provisions of Section 3 thereof, are hereby incorporated into and made a part of this schedule by this reference as though fully set forth herein.

Effective Date: July 14, 1998

[Reso No. (1998)]

A RESOLUTION of the Board of Commissioners Authorizing the District to Enter Into a Line of Credit in the Amount of Not to Exceed \$6,000,000, and to Issue a Water Revenue Bond Anticipation Note to Evidence Such Line of Credit, for the Purpose of Financing Capital Improvements to the Water System

WHEREAS, Public Utility District No. 1 of Snohomish County, Washington (the "District"), owns and operates a water supply and distribution system for the supply and distribution of water (the "Water System"); and

WHEREAS, pursuant to Chapter 216 of 1982 Laws of Washington (the "Act") codified at Chapter 39.50 RCW, the District is authorized among other things to establish lines of credit and to borrow money in anticipation of the issuance of its revenue bonds when such bonds have been authorized by resolution and to evidence such borrowing issue bond anticipation notes of the District; and

WHEREAS, RCW 54.16.070 provides that a public utility district may contract indebtedness or borrow money for any corporate purpose on its credit or on the revenues of its public utilities; and

WHEREAS, in order to provide for the interim financing of improvements to the Water System, the Board deems it to be in the best interest of the District to issue and sell short-term obligations in the form of a Water System revenue bond anticipation note of the District in the aggregate amount of not to exceed \$6,000,000 (the "Note");

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County, Washington, as follows:

Section 1. Definitions. As used in this Resolution, the following words and phrases shall have the meanings herein set forth unless the context shall clearly indicate that another meaning is intended.

“Bank” means the owner of the Note to be selected by the Treasurer.

“Code” means the Internal Revenue Code of 1986, as amended, and applicable regulations.

“District” means Public Utility District No. 1 of Snohomish County, Washington, a municipal corporation of the State of Washington located in Snohomish County, Washington.

“Note” means the “Water System Revenue Bond Anticipation Note, 1998” authorized to be issued by this Resolution.

“Note Fund” means the “Water System Revenue Bond Anticipation Note Fund, 1999” created by Section 5 of this Resolution.

“Operating Expenses” means the costs and expenses of owning and operating the Water System and maintaining it in good repair, working order and condition (excluding depreciation expenses), and including Resource Obligations (as defined in Resolution No. 3825).

“Outstanding Principal Balance of the Note” means the aggregate of all funds which the District has drawn from the Bank pursuant to the Note less the aggregate of all principal payments on the Note made by the District.

“Registrar” means the Treasurer.

“Revenue Fund” means the District’s Water Utility Revenue Fund.

“Revenues” means all income, revenues, receipts and profits derived by the District through the ownership and operation of the Water System, including general facilities charges, together with the proceeds received by the District directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Water System and together with the investment income earned on moneys held in any fund or account of the District, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Water System, exclusive of (i) insurance proceeds compensating the District for the loss of a capital asset; (ii) income derived from investments irrevocably pledged to the payment of any bonds defeased or the payment of which is provided for; (iii) investment income earned on moneys in any fund or account created for the purpose of complying with the rebate provision of Section 148 of the Code; and (iv) income restricted to a particular purpose inconsistent with its use for the payment of debt service.

“Treasurer” means the duly appointed and acting Treasurer of the District, or such person who shall have assumed the duties of the Treasurer, pursuant to District resolution and in accordance with state law.

“Water System” means the water utility properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the District and used or useful in the supply, storage, transmission, distribution or conservation of water and all properties, rights and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the District as additions, betterments, improvements or extensions to said water utility

properties, rights and assets and declared by the Commission to be included in the Water System, but shall not include any other properties, rights or assets, real or personal, tangible or intangible that hereafter may be purchased, constructed or otherwise acquired by the District as a system that is declared by the Commission to be separate from the Water System, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire or expand such separate system or otherwise may be pledged to the payment of the bonds of another such separate system of the District.

Section 2. Authorization of Note. The District hereby authorizes the issuance of its Water System revenue bonds in the principal amount of not to exceed \$6,000,000 (the "Bonds") or such greater amount as shall be sufficient, along with other available money, to redeem the Note, together with all costs associated with the issuance of such bonds or any other lawful purpose of the District. The bonds shall be in such denominations and form, shall be dated, shall bear such interest rate or rates and shall be subject to such provisions or covenants as shall be hereafter provided by resolution, and may be issued in one or more series or combined with any subsequently authorized revenue bonds and issued as a single combined issue.

Section 3. Authorization of Note. In anticipation of the issuance of the Bonds, the District hereby establishes a revolving line of credit and to evidence such line authorizes the issuance of its revenue bond anticipation note. The proceeds of the Note shall be used to finance improvements in Water Local

Utility Districts and other Water System capital improvements as approved by the Board.

The Note shall be designated as "Public Utility District No. 1 of Snohomish County, Washington, Water System Revenue Bond Anticipation Note, 1998", shall be numbered, shall be dated the date of its delivery to the Bank and shall be payable to the Bank. The principal of the Note shall be set by the Treasurer and shall not exceed \$6,000,000. The Note shall bear interest on the Outstanding Principal Balance of the Note at a percentage of the reference rate or prime rate of the Bank in effect at the beginning of the month (computed on the basis of a 365-day year and the actual number of days elapsed). The Treasurer shall set the percentage of the reference rate or prime rate, which shall not exceed 70%. Interest on the Note shall be payable on February 1, and the first day of each month thereafter and at maturity or by prior redemption. The Note shall mature in not to exceed five years. Principal of the Note shall be payable on maturity or upon prior redemption. Interest on and principal of the Note shall be paid by warrant or wire transfer payable to the Bank. The Treasurer of the District is hereby authorized to draw on the Note.

Section 4. Prior Redemption. The District may prepay all or a portion of the principal amount owing on the Note. Notice of an optional redemption shall be given in writing prior to the date fixed for redemption by first class mail to the Bank.

Section 5. Payment of the Note; Security.

A. The Note is a special obligation of the District payable solely out of a special fund of the District hereby established and designated the "Water System Revenue Bond Anticipation Note Fund, 1998" (the "Note Fund"). Amounts on deposit in the Note Fund shall be drawn upon only for the purpose of paying the principal of and interest on the Note.

B. The District hereby covenants that on or before an installment of interest or principal on the Note is due, it will deposit in the Note Fund amounts out of the Revenue Fund as shall be necessary, when added to other amounts paid into the Note Fund, to pay the interest and principal due on the Note as the same becomes due. The District further covenants that so long as the Note is outstanding it will deposit in the Note Fund the net proceeds from the sale of the Bonds or additional short-term or long-term obligations issued for the purpose of refunding the Note and such additional amounts out of the Revenue Fund as shall be necessary, when added to other amounts paid into the Note Fund, to pay the principal of the Note as the same becomes due and payable.

The Note shall not be deemed to constitute a general obligation or a pledge of the faith and credit of the District, or a debt of the Electric System or Generation System or any other system of the District other than the Water System.

Section 6. Revenue Fund. The District covenants that it will pay all Revenues into the Revenue Fund as promptly as practicable after receipt thereof. The District further covenants that, for so long as the Note shall be outstanding,

all of such money shall be trust funds in the hands of the District to be used only for the following purposes and in the following order of priority:

FIRST, to pay the Operating Expenses (including any Resource Obligations);

SECOND, to make all payments required to be made into any bond redemption fund or reserve account to pay and secure the payment of the principal of, premium, if any, and interest on the Water System Revenue Refunding Bonds, 1992 and Water System Revenue Bonds, 1996 and any other obligations of the Water System having a lien upon Revenues senior to the lien hereon for the payment of the principal of and interest on the Note;

THIRD, to make all payments required to be made into the Note Fund to pay and secure the payment of the principal of and interest on the Note; and

FOURTH, to make necessary additions, betterments, extensions, replacements and other capital improvements to the Water System, to retire by redemption or purchase in the open market any outstanding obligations of the District, or for any other lawful District purposes.

The Commission hereby finds and determines that in fixing the amounts to be paid into the Note Fund and the various accounts therein out of the Revenues of the Water System, it has exercised due regard for the operation and maintenance of the Water System and has not obligated the District to set aside and pay into the Note Fund a greater amount of such Revenue than in its judgment will be available over and above such costs, expenses and charges.

Section 7. Covenants.

A. Rate Covenant. The District will establish, maintain and collect rates and charges for services, facilities and commodities sold, furnished or supplied through the Water System which shall be adequate to provide Revenues sufficient for the punctual payment of the principal of, premium, if any, and interest on the Note for which the payment has not otherwise been provided, for all payments which the District is obligated to make into the Note Fund, and for the proper operation and maintenance of the Water System, and all necessary repairs, replacements and renewals thereof, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Water System or the Revenues therefrom, or payments in lieu thereof, and the payment of all other amounts which the District may now or hereafter become obligated to pay from the Revenues by law or contract.

B. Restrictions on Incurrence of Additional Debt. The District will not hereafter incur any indebtedness payable from and secured by a lien on and pledge of the Revenues of the Water System that is senior to the lien and pledge of such Revenues securing the Note without complying with Resolution No. 3525 or equal to the lien and pledge securing the Note without the consent of the Bank. The District may issue debt with a lien and pledge of the Revenues of the Water System that is junior to the lien of such Revenues without the consent of the Bank.

C. Covenant to Maintain System in Good Condition. The District shall at all times maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Water System and all additions and

betterments thereto and extensions thereof and every part and parcel thereof, in good repair, working order and condition, and will from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, extensions and betterments thereto so that at all times the business carried on in connection therewith shall be properly and advantageously conducted. The District will at all times operate such properties and the business in connection therewith or cause such properties and business to be operated and at a reasonable cost.

D. Tax Covenants; Special Designation. The District hereby covenants that it will not make any use of the proceeds of sale of the Note or any other funds of the District which may be deemed to be proceeds of such Note pursuant to Section 148 of the Code and the applicable regulations thereunder which will cause the Note to be an "arbitrage bond" within the meaning of said section and said regulations. The District will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Note) and the applicable regulations thereunder through the term of the Note. The District further covenants that it will not take any action or permit any action to be taken that would cause the Note to constitute a "private activity bond" under Section 141 of the Code. The Note is hereby designated as a qualified tax-exempt obligation pursuant to Section 265(b) of the Code.

E. Covenants Concerning Disposal of Properties of Water System. The District shall not sell, mortgage, lease or otherwise dispose of the properties of the Water System except as provided in this section.

(a) The District will not sell or otherwise dispose of the Water System in its entirety unless simultaneously with such sale or other disposition, provision is made for the payment, redemption or other retirement of the Note.

(b) Except as provided in (c) below, the District will not sell or otherwise dispose of any part of the Water System unless provision is made for the payment of a principal amount of the Note equal to an amount which will be in the same proportion to the net principal amount of the Note that the book value of the part of the Water System sold or disposed of bears to the book value of the entire Water System immediately prior to such sale or disposition provided such amount is in excess of 10% of the value of the net utility plant of the Water System.

(c) The District may sell or otherwise dispose of any part of the Water System which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Water System, or no longer necessary, material to, or useful in such operation.

Section 8. Form of Note. The Note shall be in substantially the following form:

No. 1

\$ _____

UNITED STATES OF AMERICA
STATE OF WASHINGTON
PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON

WATER SYSTEM REVENUE BOND ANTICIPATION NOTE, 1998

Maturity Date:

Registered Owner:

Public Utility District No. 1 of Snohomish County, Washington, a municipal corporation of the State of Washington (hereinafter called the "District"), hereby acknowledges itself to owe and for value received promises to pay, but solely from the Water System Revenue Bond Anticipation Note Fund, 1998 (the "Note Fund") created by Resolution No. ____ of the District adopted December 15, 1998 (hereinafter called the "Note Resolution"), to the Registered Owner identified above, the principal amount of not to exceed \$_____, together with interest on the Outstanding Principal Balance (as defined in the Note Resolution), from the date hereof, or the most recent date to which interest has been paid or duly provided for, at the rate per annum of ___% of the Reference Rate (as hereinafter defined), computed on the basis of a 365-day year and actual number of days elapsed, such interest to be payable on February 1, 1999, and the first day of each month thereafter and at maturity. Principal shall be payable on maturity, or upon prior redemption. Interest and principal shall be payable by warrant or wire transfer to the Registered Owner mailed by the Treasurer of the District on the date such payment is due. Both principal of and interest on this Note are payable in lawful money of the United States.

["Reference Rate" means the rate of interest publicly announced from time to time by _____ (hereinafter, the "Bank"), as its Reference Rate. The Reference Rate is set by the Bank based upon various factors, including the Bank's costs and desired return, general economic conditions and other factors and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above or below the Reference Rate. Any change in the Reference Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Reference Rate.]

This Note is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and the Note Resolution. This Note is issued in anticipation of Water System revenue bonds authorized by the Note Resolution to be issued in an aggregate principal amount of not to exceed \$6,000,000 or such greater amount as may be necessary to redeem and retire the Note and pay related costs with respect thereto or any lawful purpose of the District as set forth by resolution of the Commission.

This Note is a special obligation of the District and is payable solely from the Note Fund of the District, created by the Note Resolution. Reference to the

Note Resolution is hereby made for a description of this Note, definitions of capitalized terms used herein; the funds applicable to the payment of this Note; the covenants and agreements of the District, including the conditions under which other obligations of the District may be issued prior to the Note.

This Note shall not be deemed to constitute a general obligation or pledge of the faith and credit of the District or a debt or a pledge of the faith and credit of the State of Washington or any other municipal corporation or political subdivision thereof or a debt of the District's Electric or Generation System or a debt of any other system of the District except the Water System. Neither the District nor the State of Washington nor any other municipal corporation or political subdivision thereof shall be obligated to pay the principal of or interest on this Note, except in the case of the District as set forth in the Note Resolution, and neither the faith and credit nor the taxing power of the District, the State of Washington or any other municipal corporation or political subdivision thereof is pledged to the payment of the principal of or interest on this Note.

The District has reserved the right to redeem this Note prior to maturity in whole or in part at any time, upon written notice mailed at the price of par plus interest accrued to the date fixed for redemption.

Interest on the Note so called for redemption shall cease upon such redemption date unless the same shall not be redeemed upon presentation made pursuant to such call.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this Note have happened, been done and performed and that the issuance of this Note does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the District may incur.

IN WITNESS WHEREOF, Public Utility District No. 1 of Snohomish County, Washington, by its Commission has caused this Note to be signed with the manual or facsimile signature of the President of the Commission and attested by the manual or facsimile signature of the Secretary thereof, and the seal of the District to be impressed hereon, as of this 15th day of December, 1998.

PUBLIC UTILITY DISTRICT
NO. 1 OF SNOHOMISH
COUNTY, WASHINGTON

(SEAL)

By Charles Moom
President

ATTEST:

Marbleen R. Laugh
Secretary

CERTIFICATE OF AUTHENTICATION

This Note is the Public Utility District No. 1 of Snohomish County, Washington, Water System Revenue Bond Anticipation Note, 1998.

TREASURER, Note Registrar

By _____

Section 9. Execution of Note. The Note shall be signed in the corporate name of the District with the manual or facsimile signature of the President of the Commission and attested by the manual or facsimile signature of the Secretary of the Commission. The seal of the District shall be impressed on the Note. In case either of the officers who shall have executed the Note shall cease to be an officer or officers of the District before the Note so signed shall have been issued by the District, the Note may nevertheless be delivered and issued and upon such delivery and issuance, shall be as binding upon the District as though those who signed the same had continued to be such officers of the District. The Note may also be signed and attested on behalf of the District by such persons as at the actual date of execution of such Note shall be the proper

officers of the District although at the original date of such note any such person shall not have been such officer of the District.

Section 10. Sale of Note. The Treasurer is authorized to enter into an agreement for the sale of the Note to the Bank, under the terms and conditions of this Resolution and such agreement.

Section 11. Authorization to Officials and Agents. The appropriate District officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Note.

Section 12. Effective Date of Resolution. This Resolution shall be in effect after its adoption in accordance with law.

APPROVED by the Commission of Public Utility District No. 1 of Snohomish County, Washington, at a regular meeting thereof this 15th day of December, 1998.



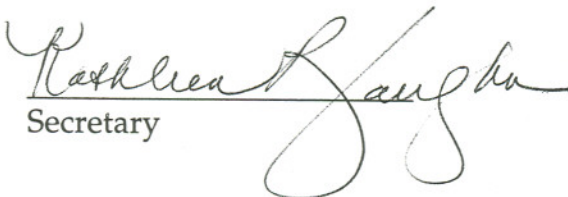
President and Commissioner

Vice President and Commissioner



Secretary and Commissioner

ATTEST:



Secretary

RESOLUTION NO. 4848

A RESOLUTION Adopting Three Governance Policy Sets Entitled Executive Limitations, Governance Process and Board-General Manager Linkage Policies, Adopting an Ends Temporary Placeholder Policy, Repealing Certain Previously-Adopted Resolutions Inconsistent Therewith, and Modifying Certain Previously-Enacted Board Policies for Purposes of Consistency With Such Policies.

WHEREAS, the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (hereafter referred to as the "Commission") desires a new framework of governance within which to organize its thoughts, activities, structure, and relationships of the governing body to its individual members, General Manager, the organization, and owners; and

WHEREAS, in connection with this effort, the Board has worked extensively with John Carver, who, together with Miriam Mayhew Carver, has developed an internationally-recognized policy governance model of board leadership focusing on the redesign of the board's role to emphasize values, vision and the empowerment of both board and staff; and

WHEREAS, under such model, governing bodies craft such values and vision into the following four categories of board policy:

- a) ENDS POLICIES, representing the board's long-term vision, and under which the board defines which human needs are to be met, for whom, and at what cost;
- b) EXECUTIVE LIMITATIONS POLICIES, under which the board establishes the boundaries of acceptability within

which staff methods and activities can responsibly be left to staff;

- c) BOARD-STAFF LINKAGE, under which the board clarifies the manner in which it delegates authority to staff as well as how it evaluates staff performance on provision of the ends and executive limitations policies; and
- d) GOVERNANCE PROCESS POLICIES, under which the board determines its philosophy, its accountability, and the specifics of its own job; and

WHEREAS, the Commission has developed and wishes to adopt at this time policy sets within the categories of Executive Limitations, Board-Staff Linkage and Governance Process, and wishes to adopt a temporary Ends policy pending development of more comprehensive policies in such category (hereinafter, the "Governance Policies"); and

WHEREAS, in connection with the adoption of such Governance Policies, the Commission wishes to repeal certain previously-adopted resolutions which are inconsistent with such Policies, such that the matters addressed therein may be handled by directive or otherwise in the discretion of the General Manager, who shall be authorized to establish all further policies, make all decisions, take all actions and establish all practices relating thereto without further Commission involvement except as otherwise set forth in the above-described Governance Policies; and

WHEREAS, certain of such previously-adopted resolutions have referenced a document referred to as the District's "Code," and the Commission wishes also to repeal all portions of such "Code" in order to streamline the operations of the District and maximize the flexibility accorded the General Manager; while retaining certain previously-adopted resolutions which relate to matters requiring Commission action under law; and

WHEREAS, the Commission further wishes to take certain additional action relating to such matters requiring Commission action under law, for the purpose of simplifying, consolidating and/or updating previous Commission action regarding such matters, consistent with the Governance Policies;

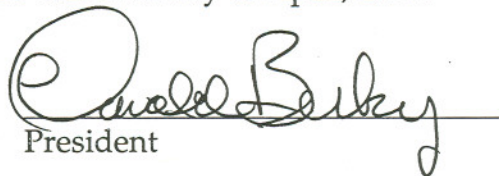
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County as follows:

1. The Governance Policies attached hereto and incorporated herein as Exhibit "A" are hereby adopted.
2. Resolution Nos. 177, 1729, 2204, 2758, 2822, 2977, 3006, 3032, 3059, 3171, 3203, 3452, 3515, 3818, 3911, 3930, 3980, 3989, 4308, 4345, 4385, 4388, 4396, 4426, 4508, 4518, 4547, 4591, 4592, 4617, 4626, 4728, and 4833 and any other prior resolution inconsistent with the foregoing are hereby repealed in their entirety, as well as any other portion of any prior resolution which is inconsistent herewith, and the General Manager is hereby authorized to establish all further policies, make all decisions, take all actions and establish all practices relating to the matters addressed therein without further involvement except as otherwise

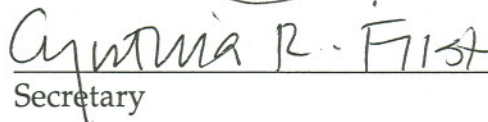
set forth in the above-described Governance Policies, as amended and/or restated from time to time, or other District resolutions.

3. The additional Resolutions attached as Exhibits "B" through "J" hereto and incorporated herein are hereby adopted by the Commission in order to simplify, consolidate and/or update previous Commission action relating to certain non-delegable, statutorily-assigned Commission duties. All capitalized terms utilized in such Resolutions shall have the definitions set forth herein.

PASSED AND APPROVED this 27th day of April, 1999.


President


Vice-President


Secretary



COMMISSION GOVERNANCE POLICY – Exhibit A

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GLOBAL EXECUTIVE CONSTRAINT

Executive Limitations

04/27/99

The General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance which is either unlawful, imprudent, in violation of commonly accepted business and professional ethics, or not in the best interest and benefit of the public.

TREATMENT OF CUSTOMERS

Executive Limitations

04/27/99

With respect to interactions with customers or those applying to be customers, the General Manager shall not cause or allow conditions, procedures, or decisions which are unsafe, undignified, or unnecessarily intrusive.

Accordingly, she or he shall not:

1. Elicit information by any method for which there is no clear necessity.
2. Use methods of collecting, reviewing, transmitting, or storing client information that fail to protect against improper access to the material elicited.
3. Fail to provide appropriate accessibility and privacy in facilities.
4. Fail to provide customers with clear information of what may be expected and what may not be expected from the service offered.
5. Arbitrarily or capriciously administer customer service or credit.
6. Fail to provide a way for persons to be heard who believe they have not been accorded a reasonable interpretation of their protections under this policy.

TREATMENT OF EMPLOYEES

Executive Limitations

04/27/99

With respect to the treatment of employees, the General Manager may not cause or allow conditions which are unfair, undignified, disorganized, unsafe, or unclear.

Accordingly, she or he shall not:

1. Operate without written personnel policies, which clarify personnel rules for employees, provide for effective handling of grievances, discipline and terminations and protect against wrongful conditions, such as nepotism and grossly preferential treatment for personal reasons.
2. Discriminate against any employee for expressing an ethical dissent.
3. Fail to make information available to employees regarding the General Manager's interpretation of their protections under this policy.

FINANCIAL PLANNING AND BUDGETING

Executive Limitations

04/27/99

The District's multi-year financial plan shall not deviate materially from the Board's Ends priorities or risk fiscal jeopardy. The District's annual budget shall not fail to be derived from a multi-year plan of at least five years.

Accordingly, the General Manager shall not allow financial planning/budgeting which:

1. Fails to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
2. Allows operating cash to drop below a safety reserve of less than \$20 million at the end of any fiscal year.
3. Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.
4. Allows Electric System year-end debt service coverage to fall below 1.75.
5. Finances greater than forty percent (40%) of non-generation Electric System capital improvements within a fifteen-year period including the plan year.
6. Plans for rate increases in excess of three percent (3%) in any year, or compound increases in excess of nine percent (9%) over any consecutive five year period.
7. Fails to maintain annual spending on public purposes of three percent (3%) of Electric System revenue beginning in 2001. (Public purposes spending is defined as those expenditures related to conservation, weatherization, and renewable resources.)

FINANCIAL CONDITION AND ACTIVITIES

Executive Limitations

04/27/99

With respect to the actual, ongoing financial condition and activities, the General Manager shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in Ends policies.

Accordingly, the General Manager shall not:

1. Use any rate stabilization fund reserves without Board authorization.
2. Pay any judgement or settle any claim with funds from the District's self-insurance fund unless authorized by the Board.
3. Fail to present to the Board in Executive Session, on at least a quarterly basis, a report regarding all significant lawsuits filed against the District and any other legal issues which could result in significant financial exposure for the District.
4. Fail to settle payroll and debts in a timely manner.
5. Allow tax payments or other government-authority ordered payments or filings to be overdue or inaccurately filed.
6. Fail to aggressively pursue receivables after a reasonable grace period to the extent it is cost effective to do so.
7. Without prior approval of the Board, compromise or settle:
 - A. An employee claim when a lawsuit has been filed.
 - B. An employee claim where a lawsuit has not been filed when the settlement is greater than \$25,000, including attorney fees or other expenses, but not including the value of any outplacement or educational assistance, increased length of notice of termination or other non-cash benefits. Such settlements shall be recorded with the Board as incidental reports within thirty (30) calendar days of the settlement.

FINANCIAL CONDITION AND ACTIVITIES

Executive Limitations

04/27/99

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- C. A claim against the District when a lawsuit has been filed where the settlement is greater than \$25,000, including attorney fees or other expenses.
 - D. Any other demand or claim by or against the District for a monetary amount greater than \$100,000.
8. Execute modifications to the collective bargaining agreements between the District and the International Brotherhood of Electrical Workers (IBEW) that:
- A. Relate to compensation including, but not limited to, wages and benefits;
 - B. Are unbudgeted; or
 - C. Cumulatively exceed \$100,000 in any fiscal year.



EMERGENCY GENERAL MANAGER SUCCESSION

Executive Limitations

04/27/99

In order to protect the Board from sudden loss of General Manager services, the General Manager may have no fewer than two other executives familiar with Board and General Manager issues and processes.

ASSET PROTECTION

Executive Limitations

04/27/99

The General Manager shall not allow corporate assets to be unprotected, inadequately maintained or unnecessarily risked.

Accordingly, he or she shall not:

1. Fail to maintain:
 - A. Excess liability insurance, including minimum coverage per occurrence of \$35 million;
 - B. Property insurance (for non-transmission and distribution system assets) for replacement value;
 - C. Vehicle insurance for cash value; and
 - D. Crime and fidelity insurance for personnel with access to material amounts of funds.
2. Subject plant and equipment to improper wear and tear or insufficient maintenance.
3. Fail to protect intellectual property, information and files from loss or significant damage.
4. Receive, process or disburse funds under controls that are materially insufficient to meet the auditor's expectations.
5. Invest or hold operating capital in accounts or investments other than those permitted investments for the State of Washington.
6. Endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission.



COMPENSATION AND BENEFITS

Executive Limitations

04/27/99

With respect to employment, compensation, and benefits to employees, the General Manager shall not cause or allow jeopardy to fiscal integrity or deviate materially from the market.

Accordingly, he or she shall not:

1. Change his or her own compensation and benefits.
2. Promise or imply permanent or guaranteed employment.

COMMUNICATION AND SUPPORT TO THE BOARD

Executive Limitations

04/27/99

The General Manager shall not permit the Board to be uninformed or unsupported in its work.

Accordingly, he or she shall not:

1. Neglect to submit monitoring data required by the Board (see policy on monitoring General Manager performance) in a timely, accurate and understandable fashion, directly addressing provisions of Board policies being monitored.
2. Let the Board be unaware of substantial exposure, anticipated adverse media coverage, material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established.
3. Fail to advise the Board if, in the General Manager's opinion, the Board does not comply with its own policies on governance process and Board-General Manager linkage, particularly in the case of Board behavior which is detrimental to the work relationship between the Board and the General Manager.
4. Fail to marshal for the Board as many employees and external points of view, issues and options as needed for fully informed Board choices.
5. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and incidental.
6. Fail to provide a mechanism for official Board communications.
7. Fail to deal with the Board as a whole except when fulfilling individual requests for information.
8. Fail to report in a timely manner an actual or material noncompliance with any policy of the Board.



GLOBAL GOVERNANCE COMMITMENT

Governance Process

04/27/99

The purpose of the Board, on behalf of the people of Snohomish County and Camano Island, is to see to it that Public Utility District No. 1 of Snohomish County (a) achieves appropriate results for appropriate persons at an appropriate cost, and (b) avoids unacceptable actions and situations.

GOVERNING STYLE

Governance Process

04/27/99

The Board will govern with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of Board and management roles, (e) collective rather than individual decisions, (f) future rather than past or present, and (g) pro-activity rather than reactivity.

Accordingly:

1. The Board will cultivate a sense of group responsibility. The Board, not the employees, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to employee initiatives. The Board may call on the experience of individual members to enhance the ability of the Board as a body, rather than to substitute the individual judgments for the Board's values.
2. The Board will direct, control and inspire the organization through the careful establishment of broad written policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long-term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.
3. The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability.
4. Continual Board development will include orientation of new Board members in the Board's governance process and periodic Board discussion of process improvement.
5. The Board will allow no individual Board member to hinder or be an excuse for not fulfilling its commitments.
6. The Board will regularly monitor and discuss the Board's process and performance. Self-monitoring will include comparison of Board activity and discipline to policies in the governance process and Board-General Manager linkage categories.

BOARD JOB DESCRIPTION

Governance Process

04/27/99

Specific job outputs of the Board, as an informed agent of the people of Snohomish County and Camano Island, are those that ensure appropriate organizational performance.

Accordingly:

1. The Board will establish the link between the Public Utility and the people of Snohomish County and Camano Island.
2. The Board will establish and maintain written governing policies which, at the broadest levels, address each of the following:
 - A. **Ends:** Organizational products, impacts, benefits, outcomes, and their relative worth for recipients.
 - B. **Executive Limitations:** Constraints on executive authority which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
 - C. **Governance Process:** Specification of how the Board conceives, carries out and monitors its own task.
 - D. **Board-General Manager Linkage:** How power is delegated and its proper use monitored; the General Manager role, authority and accountability.
3. The Board will ensure the General Manager's performance (against policies in GP-3.2.A **Ends** and GP-3.2.B **Executive Limitations**).
4. To the extent required by law, as advised by the District's General Counsel from time to time, the Board will perform the following non-delegable, statutorily-assigned duties (which is not an inclusive list):
 - A. Personnel
 1. Fix compensation of employees by establishing a scale of salaries for specific classes of work.

BOARD JOB DESCRIPTION

Governance Process

04/27/99

B. Finance

1. Adopt the District's yearly budget.
2. Approve vouchers for all warrants issued.
3. Authorize certain banks as depositories of District funds and surety bonds therefor.
4. Create certain special funds, and authorize the issuance of revenue bonds.
5. Authorize the purchase of liability insurance for District officers and employees.

C. Rates/Fees

1. Establish and maintain rates and charges for electric energy and water and various other services, facilities, and commodities sold, furnished or supplied by the District.

D. Local Utility Districts

1. Form and establish the method of procedure in all matters relating to local utility districts.

E. Contracts

1. Rule as to whether bids are "responsive" to call for bids and whether bidders are "responsible" under the conditions of bid.
2. Authorize certain wholesale contracts for the sale of energy or water.

F. Property

1. Authorize acquisition by condemnation and the disposition of certain properties and payment therefor.



BOARD JOB DESCRIPTION

Governance Process

04/27/99

G. Environmental

1. Adopt SEPA rules and procedures.

H. Other

1. Revise Commissioners' district boundaries

AGENDA PLANNING

Governance Process

04/27/99

To accomplish its job products with a governance style consistent with Board policies, the Board will follow an annual agenda which (a) completes a re-exploration of Ends policies annually and (b) continually improves Board performance through Board education and enriched input and deliberation.

1. The cycle will conclude each year on the last day of September so that administrative planning and budgeting can be based on accomplishing a one-year segment of the Board's most recent statement of long-term Ends.
2. The cycle will start with the Board's development of its agenda for the next year.
 - A. Consultations with selected groups in the ownership, or other methods of gaining ownership input, will be determined and arranged in the first quarter, to be held during the balance of the year.
 - B. Governance education, and education related to ends determination, (e.g., presentations by futurists, demographers, advocacy groups, employees, etc.) will be arranged in the first quarter, to be held during the balance of the year.
3. Throughout the year, the Board will attend to consent agenda items as expeditiously as possible.
4. General Manager monitoring will be included on the agenda if monitoring reports show policy violations or if policy criteria are to be debated.
5. During the month of February, General Manager remuneration will be decided after a review of monitoring reports received in the last year.
6. At the first regular Commission meeting in December of each year, the Commission shall elect officers of the Board to serve for one-year terms. These terms will commence at the time of the first regular meeting in January of the year following election.

RULES OF PROCEDURE

Governance Process

04/27/99

To facilitate discussion and action while assuring consideration and decorum for all, the Board will abide by the following adopted Standing Rules of Order:

1. Introduction of Business

All business shall be brought before the Board by a motion. All motions, including those made by the Chair, are automatically seconded. At anytime prior to a vote on the main motion, the maker of the motion can modify it or withdraw it entirely. It is not necessary for the Chair to relinquish the gavel when making a motion.

2. Motions and Their Order of Precedence

A. Privileged Motions

1. *To Adjourn*. It takes precedence over all other motions. It is not debatable; it cannot be amended; nor can a vote on it be reconsidered.

B. Incidental Motions

1. *Questions of Order or Appeal of a Ruling by the Chair*. It cannot be amended; it cannot be debated when it relates to indecorum; and it yields to Privileged Motions.

C. Secondary Motions

1. *To Table*. This motion takes precedence over all other Secondary Motions, and yields to any Privileged or Incidental Motion. It is not debatable, and cannot be amended or have any other motion applied to it. It removes the subject from consideration until the Board votes to take it from the table, either at the same or some future meeting.
2. *The Previous Question*. This motion takes precedence of every debatable question, yields to Privileged and Incidental Questions, and to the motion to Table. It is not debatable, and cannot be amended. Its effect is to instantly close debate and bring the Board to vote upon the pending question.

RULES OF PROCEDURE

Governance Process

04/27/99

3. *To Postpone to a Date Certain.* This motion takes precedence of a motion to amend or indefinitely Postpone, yields to any Privileged or Incidental Motion and to the motion to Table or a call for The Previous Question. Altering the time can amend it. It allows very limited debate, and it must not go into the merits of the item any further than is necessary to judge the reasonableness of postponement.
4. *To Amend.* This motion takes precedence over nothing but the question which it is proposed to amend, and yields to any Privileged, Incidental or Secondary Motion, except to Indefinitely Postpone. It can be amended itself, but the amendment of an amendment cannot be amended. An amendment may be made either: (1) by adding or (2) by striking out words or paragraphs; or (3) by striking out certain words and inserting others, or (4) by substituting a different motion on the same subject; or (5) by dividing the question into two or more questions as specified by the mover, so as to get a separate vote on any particular point or points.
5. *To Postpone Indefinitely.* This motion takes precedence over nothing except the principal motion, and yields to any Privileged, Incidental, or Secondary Motion except to Amend. It cannot be amended; it opens to debate the entire question it is proposed to postpone.

D. Miscellaneous Motions

1. *To Rescind.* This motion has no privilege but stands on a footing with a new resolution. Any action of the Board can be rescinded regardless of the time that has elapsed.
2. *To Reconsider.* When the assembly has once acted upon any Principal Question or Amendment, it cannot be taken up again at the same session or any subsequent session, except by motion to Reconsider. A motion to Reconsider must be made by a member who voted with the prevailing side.

3. **Debate and Decorum**

A. Debate

Discussions should be confined to issues immediately before the Board. The Chair should entertain a motion at the earliest opportunity and discussions should

RULES OF PROCEDURE

Governance Process

04/27/99

focus on the motion. Repetitive comments should be minimized and can be declared out of order by the Chair. The following questions shall be decided without debate: To Adjourn, To Table, The Previous Question, To Reconsider, Withdrawing a Motion, and Closing Debate.

B. Decorum in Debate

Members should confine remarks to the question and avoid personalities. Members should try to limit their remarks to ten minutes or less. Members should respect one another and conduct themselves in a professional manner. The use of profanity is prohibited.

C. Closing Debate

The following motions, which are not debatable, can close debate: To Table or call for The Previous Question.

4. Vote

A. When a Vote is taken, the Chair should always announce the results.

5. Additional Comments

A. Roberts Rules of Order will act as a guide on those issues not addressed by the above standing rules.

6. Resolutions

A. In order to be valid, the original copy of a resolution must be signed by at least two Commissioners and will then be entered in a designated book and become public record.

PRESIDENT'S ROLE

Governance Process

04/27/99

The President assures the integrity of the Board's process.

Accordingly:

1. The job result of the President is that the Board behaves consistently with its own rules and those legitimately imposed upon it from outside the organization.
 - A. Meeting discussion content will be only those issues which, according to Board policy, clearly belong to the Board to decide, not the General Manager.
 - B. Deliberation will be fair, open, and thorough, but also timely, orderly, and kept to the point.
2. The authority of the President consists in making decisions that fall within topics covered by Board policies on governance process and Board-General Manager linkage, with the exception of (a) employment or termination of a General Manager and (b) where the Board specifically delegates portions of this authority to others. The President is authorized to use any reasonable interpretation of the provisions in these policies.
 - A. The President is empowered to chair Board meetings with all the commonly accepted power of that position, e.g., ruling, recognizing.
 - B. The President has no authority to make decisions about policies created by the Board within ends and executive limitations policy areas. Therefore, the President has no authority to supervise or direct the General Manager.
 - C. The President may represent the Board to outside parties in stating chair decisions and interpretations within the area delegated to her or him.
 - D. The President may delegate this authority but remains accountable for its use.

BOARD MEMBERS' CODE OF CONDUCT

Governance Process

04/27/99

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly:

1. Members must have loyalty to the people of Snohomish County and Camano Island, unconflicted by loyalties to employees, other organizations, and any personal interest as a consumer.
2. In accordance with applicable law, members must avoid conflict of interest with respect to their fiduciary responsibility.
3. Board members may not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
 - A. Members' interaction with the General Manager or with employees must recognize the lack of authority vested in individuals except when explicitly Board authorized.
 - B. Members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions.
 - C. Except for participation in Board deliberation about whether a reasonable interpretation of Board policy has been achieved by the General Manager, members will not make express individual judgments of either General Manager or employee performance.
4. Members will respect the confidentiality appropriate to issues of a sensitive nature. There shall be no release of written materials, notes, or other privileged information distributed in Executive Session unless each Commissioner agrees to such release. If one Commissioner objects, no executive material will be released except on a confidential basis to Commissioners and the General Manager.
5. Members will be properly prepared for Board deliberation.

COST OF GOVERNANCE

Governance Process

04/27/99

Because poor governance costs more than learning to govern well, the Board will invest in its governance capacity.

Accordingly:

1. Board skills, methods, and supports will be sufficient to assure governing with excellence.
 - A. Training and retraining will be used liberally to orient new members, as well as to maintain and increase existing member skills and understandings.
 - B. Outside monitoring assistance will be arranged as necessary for the Board to exercise confident control over organizational performance.
 - C. Outreach mechanisms will be used as needed to ensure the Board's ability to listen to owner viewpoints and values.
2. Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability.

In fiscal year 1999, up to \$817,794 shall be available to support the Board and its activities.



GLOBAL GOVERNANCE-MANAGEMENT CONNECTION

Board-General Manager Linkage

04/27/99

The Board's sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer titled General Manager.



UNITY OF CONTROL

Board-General Manager Linkage

04/27/99

Only officially passed motions of the Board are binding on the General Manager.

Accordingly:

1. Decisions or instructions of individual Board members are not binding on the General Manager except in rare instances when the Board has specifically authorized such exercise of authority.
2. In the case of Board members requesting information or assistance without Board authorization, the General Manager can refuse such requests that require, in the General Manager's opinion, a material amount of employee time or funds or is disruptive.

ACCOUNTABILITY OF THE GENERAL MANAGER

Board-General Manager Linkage

04/27/99

The General Manager is the Board's only link to operational achievement and conduct, so that all authority and accountability of employees, as far as the Board is concerned, is considered the authority and accountability of the General Manager.

Accordingly:

1. The Board will never give instructions to persons who report directly or indirectly to the General Manager.
2. The Board will refrain from evaluating, either formally or informally, any employee other than the General Manager.
3. The Board will view General Manager performance as identical to organizational performance, so that organizational accomplishment of Board-stated ends and avoidance of Board-proscribed means will be viewed as successful General Manager performance.

DELEGATION TO THE GENERAL MANAGER

Board-General Manager Linkage

04/27/99

The Board will instruct the General Manager through written policies which prescribe the organizational ends to be achieved, and describe organizational situations and actions to be avoided, allowing the General Manager to use any reasonable interpretation of these policies.

Accordingly:

1. The Board will develop policies instructing the General Manager to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called ends policies.
2. The Board will develop policies which limit the latitude the General Manager may exercise in choosing the organizational means. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called executive limitations policies.
3. As long as the General Manager uses *any reasonable interpretation* of the Board's ends and executive limitations policies, the General Manager is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.
4. The Board may change its ends and executive limitations policies, thereby shifting the boundary between Board and General Manager domains. By doing so, the Board changes the latitude of choice given to the General Manager. However, as long as any particular delegation is in place, the Board will respect and support the General Manager's choices.

MONITORING GENERAL MANAGER PERFORMANCE

Board-General Manager Linkage

04/27/99

Systematic and rigorous monitoring of General Manager job performance will be solely against the following expected General Manager job outputs: organizational accomplishment of Board policies on ends and organizational operation within the boundaries established in Board policies on executive limitations.

Accordingly:

1. Monitoring is simply to determine the degree to which Board policies are being met. Data which does not do this will not be considered to be monitoring data.
2. The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the General Manager discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.
3. In every case, the standard for compliance shall be *any reasonable interpretation by the General Manager* of the Board policy being monitored.
4. All policies which instruct the General Manager will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule.

| <u>Policy</u> | <u>Method</u> | <u>Frequency</u> |
|--------------------------------------|-----------------------|------------------|
| Treatment of Customers | Internal | Annually |
| Treatment of Employees | Internal | Annually |
| Financial Planning and Budgeting | Internal | Annually |
| Financial Condition and Activities | Internal and External | Quarterly |
| | External | Annually |
| Emergency General Manager Succession | Internal | Annually |
| Compensation and Benefits | Internal | Annually |
| Communication and Support | Direct Inspection | Semi-annually |



TEMPORARY PLACEHOLDER

Ends

04/27/99

Pending further Board determinations, **Ends** of the organization will remain as previously stated explicitly by the Board or as found implicitly in previously adopted Board documents.

EXHIBIT "B"
RESOLUTION NO. 4848-B

A RESOLUTION Restating and Modifying the Duties of the
District Treasurer and Auditor.

WHEREAS, by Resolution No. 4426, adopted January 19, 1996, the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (hereafter referred to as the "Commission") adopted Section 2.02 of the District Code, setting forth the duties of the District General Manager, Treasurer, Auditor and Deputy Auditor, and

WHEREAS, the Board wishes to significantly change the duties of the District's General Manager as more fully set forth in the Governance Policies, and accordingly wishes to repeal the portion of Resolution No. 4426 relating to the duties of the General Manager; and

WHEREAS, the Commission wishes to restate the duties of the District Treasurer, Auditor and Deputy Auditor as set forth in Resolution No. 4426, except for certain language granting to the Treasurer increased flexibility to invest District funds in accordance with applicable law;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County that:

1. The Treasurer of the District shall be appointed by the Commission and be under the supervision of the General Manager. The Treasurer shall have experience in financial and fiscal matters and shall assume the following duties:

A. The Treasurer shall exercise supervision over all accounting functions of the District. All funds of the District shall be paid to the Treasurer and shall be disbursed by the Treasurer only through warrants issued by the

Auditor or Deputy Auditor upon orders or vouchers approved by the Commission.

B. The Treasurer shall establish a public utility district fund into which shall be paid all District funds. The Treasurer shall maintain special funds as may be created by the Commission, into which shall be placed all monies directed by the Commission.

C. The Treasurer, or his/her designee, is hereby authorized to invest any funds not required for immediate expenditure in accordance with applicable law, bond resolutions or contractual provisions with third parties.

D. The Treasurer shall perform all duties as required by law and by direction of the Commission.

2. The Treasurer of the District shall be covered by a bond with a surety company authorized to do business in the State of Washington. Coverage shall be in an amount which will protect the District against loss, provided that all funds received by the Treasurer will be faithfully kept and accounted for. The premium on such bond shall be paid by the District.

3. The Auditor of the District shall be appointed by the Commission and be under the supervision of the General Manager.

4. The duties of the Auditor of the District shall be as provided by law. The Auditor and Deputy Auditor shall draw warrants and sign the same upon order or voucher approved by the Board. From time to time, the Auditor shall perform other duties as may be prescribed or established by the General Manager and/or Commission.

5. Resolution No. 4426 and any other prior resolution inconsistent with the foregoing are hereby repealed in their entirety, as well as any other portion of any prior resolution which is inconsistent herewith.

EXHIBIT "C"
RESOLUTION NO. 4848-C

A RESOLUTION Designating the Depositories for District Funds and Granting Joint Authority to Transact Business With Such Depositories and Repealing Resolution No. 2758.

WHEREAS, under the authority of RCW 54.24.010, by Resolution No. 2758 the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (hereafter referred to as the "Commission") authorized certain depositories for District funds and granted joint authority to District officers to transact business with such depositories; and

WHEREAS, the Commission wishes to restate such resolution in order to update the parties authorized to transact business with such depositories and provide enhanced authority for the use of facsimile signatures on checks, warrants and other documents of withdrawal, in accordance with current financial practices;

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County, Washington, as follows:

1. District funds may be deposited in any qualified public depository in the State of Washington, as defined in RCW 39.58. Securities or bonds, as required by RCW Chapters 39.58 and 39.59 for deposit of county funds, shall be obtained.
2. District funds in these depositories may be withdrawn on checks, drafts or advises of debit given or signed and co-signed in the corporate name by the following:

Signature

Treasurer
or
Deputy Treasurer

Co-Signature

Auditor
or
Deputy Auditor

who are authorized to draw and accept drafts and execute contracts and other agreements between the bank and the corporation, and to make, collect, discount, negotiate, endorse and assign in the corporate name, all checks, drafts, notes and other paper payable to or by this corporation; and all such paper signed as aforesaid, including checks payable to the order of any one or more of said persons or to bearer shall be honored by the bank and charged to the District's account. Endorsements for deposit may be made by rubber stamp and shall bind the corporation to the same effect as though signed by the properly authorized officer. This authority shall continue in force until notice in writing of its revocation shall have been given to and received by the bank. All transactions aforesaid which have taken place heretofore are hereby confirmed and ratified.

3. Signatures on warrants, checks and other documents of withdrawal may be handwritten or facsimiles.

4. Said depositories shall first provide security as provided in RCW 54.24.010.

5. The persons herein authorized to act with respect to said accounts are empowered on behalf of this corporation to execute said banks' signature cards binding this corporation to the Rules and Regulations of said depositories, and to any changes, modifications or additions thereto.

6. Resolution No. 2758 and any other resolution inconsistent with the foregoing are hereby repealed in their entirety, as well as any other portion of any prior resolution which is inconsistent herewith.

EXHIBIT "D"
RESOLUTION NO. 4848-D

A RESOLUTION Modifying the District's General and Automobile Liability Claims Procedure and Repealing Resolution No. 2964.

WHEREAS, on February 26, 1986, the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (hereafter referred to as the "Commission") established by Resolution No. 2964, a general and automobile liability claims procedure, which was modified in Resolution No. 4508, adopted on July 23, 1996; and

WHEREAS, the Commission now finds that it would be in the best interest of the District to further modify such claims procedure to reflect (a) changes in internal procedures since the adoption of the previous policy, and (b) the increased settlement authority granted to the General Manager pursuant to the Governance Policies;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington, that the existing general and automobile liability claims procedure is modified as follows:

1. The General Manager may in his or her discretion continue to maintain a contract with a qualified claims administration organization to evaluate and administer automobile and general liability claims against the District.

2. The General Manager may in his or her discretion continue to direct such qualified claims administration organization to maintain an account in the District's bank to pay approved liability claims and claims administration expenses.

3. Approved claims may also be paid from the District's revenue fund.

4. Resolution No. 2964 and any other prior resolution inconsistent with the foregoing are hereby repealed in their entirety, as well as any other portion of any prior resolution which is inconsistent herewith.

EXHIBIT "E"
RESOLUTION NO. 4848-E

A RESOLUTION Restating and Expanding Certain Delegations of Authority to the General Manager and Auditor.

WHEREAS, in Resolution 4508, adopted on July 23, 1996, the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (hereafter referred to as the "Commission") granted to the District's General Manager and Auditor various delegations of authority, as more fully set forth therein; to perform certain administrative functions for the purpose of reducing labor costs by streamlining outdated practices, improving customer response time, and otherwise promoting internal efficiencies; and

WHEREAS, in connection with the adoption by the Board of the Governance Policies, the Board has indicated its desire to further increase the authority of the District's General Manager to the maximum amount permissible under the law, subject to certain exceptions and limitations more fully set forth in such Policies; and

WHEREAS, the Commission accordingly wishes to repeal Resolution No. 4508 in its entirety in order to address the matters set forth therein in a manner consistent with the Governance Policies.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington, that:

1. Vouchers. The District Auditor is authorized to issue warrants for all claims prior to voucher approval by the Commission, subject to the following conditions:

A. The claim to be paid shall have been reviewed and approved by the General Manager or his/her designee;

B. All payments shall be entered on a voucher list for Commission review and approval at its next regularly scheduled public meeting; and

C. Should the Commission disapprove any claim made which has previously been paid, the Treasurer and Auditor shall recognize the disapproved claim as a receivable of the District and shall take all action necessary to collect the receivable until the amounts disapproved have been collected or until the Commission approves the claim.

2. Settlement of Claims.

A. The General Manager or his or her designee is authorized to approve the compromise and settlement of all monetary demands or other claims by or against the District, whether litigated or non-litigated (including but not limited to damage, tax, contract or other claims) except as otherwise set forth in Policy EL-5 (Financial Condition and Activities) of the Governance Policies, including any future amendments thereto.

B. The Auditor is authorized to issue warrants and the Treasurer to disburse monies to cover individual settlement payments to the extent authorized under the Governance Policies, as amended from time to time, provided such payments have the prior written approval of the General Manager or his or her designee.

3. Contracts. Except as otherwise set forth in Section EL-5 of the Governance Policies regarding amendments to the District's Collective

Bargaining Contract with the International Brotherhood of Electrical Workers (IBEW), the General Manager or his or her designee is authorized to approve and execute all contracts and work orders, and change orders and/or amendments to the same, to the maximum level permissible under law.

4. Distribution Easements. The General Manager or his or her designee is authorized to execute, on behalf of the District, a notice of full or partial extinguishment of easement, as appropriate, and to file such notice with the Snohomish County Auditor, in such cases where a distribution easement contains an automatic termination of rights extinguishing the District's easement interest upon removal or permanent abandonment of its facilities.

5. Repeal of Previous Resolutions. Resolution No. 4508, and any other prior resolution inconsistent with the foregoing, is hereby repealed in its entirety, as well as any other portion of any prior resolution which is inconsistent herewith.

EXHIBIT "F"
RESOLUTION NO. 4848-F

A RESOLUTION Restating Certain Previous Commission Actions Relating to Miscellaneous Statutorily-Required Duties of the Commission.

WHEREAS, in connection with the adoption of the Governance Policies, the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (hereafter referred to as the "Commission") has repealed numerous resolutions which are inconsistent with the model set forth in such Policies to the extent that they unduly limit the authority of the District's General Manager to manage the administrative affairs of the District; and

WHEREAS, under statute, certain actions may not be delegated to others but must be taken directly by the Commission; and

WHEREAS, to the extent the Commission has repealed as of the date hereof certain previous resolutions including such actions, the Commission wishes to restate miscellaneous previous Board actions with respect to such items in order to maintain compliance with such statutes;

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County, Washington, as follows:

1. Official Seal. The Official Seal of the District shall be a circle. The words, "PUBLIC UTILITY DISTRICT NO.1 OF SNOHOMISH COUNTY," shall be imprinted around its outer edge, and in the center shall be imprinted the words, "OFFICIAL SEAL." The Clerk of the Board shall be the Custodian of the seal and shall affix it to documents where necessary.

2. Official Newspaper. The official newspaper for publication of all District legal notices shall be the Everett Herald.

3. Benefits Coverage for Commissioners. Commissioners shall be entitled to the same insurance benefit coverage as offered to regular District employees, and shall be eligible to participate in the District's alternative retirement plan and Employee Assistance Program.

4. Notice to Bidders. The General Manager is authorized to publish Notices to Bidders as required by law.

5. Bidding Errors.

A. A bidder submitting a sealed bid may seek withdrawal of the bid after the bid opening if:

(1) The bidder can demonstrate that he/she made a substantial error in such bid;

(2) The District has received timely notice of the error in writing; and

(3) The error is one of miscalculation, misunderstanding, or obvious oversight.

An error in judgment shall not be grounds to withdraw a bid.

B. Only the Commission may authorize withdrawal of a bid pursuant to subsection A above.

6. Same Kind of Materials, Equipment and Supplies. The term, "same kind of materials, equipment or supplies," as it relates to items purchased by the District without calling for sealed bids, pursuant to RCW 54.04.070, shall mean items which are not different in essential elements. The term includes items which are not identical, but interchangeable, so that the requirements for the use of one are fulfilled with the other.

EXHIBIT "G"
RESOLUTION NO. 4848-G

A RESOLUTION Authorizing the General Manager, Consistent With the Governance Policies, to Maintain and Carry Out Ratemaking Policies Adopted by the District Pursuant to Sections 111 and 114 of the Public Utility Regulatory Policies Act.

WHEREAS, the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (hereafter referred to as the "Commission"), has determined that it should follow the Governance Policies and is adopting resolutions and policies, including this resolution, to put such Policies into operation; and

WHEREAS, Section 111 of the Public Utility Regulatory Policies Act required the District to consider ratemaking standards concerning cost of service, declining block rates, time-of-day rates, seasonal rates, interruptible rates, and load management techniques, and Section 114 of PURPA required the District to consider lifeline rates; and

WHEREAS, in 1981, the District held public hearings, made findings of fact, and, in Resolution No. 2502, the Commission directed District staff to use cost of service in developing rate proposals; to reject declining block rates except where cost-justified; to include time-of-day factor in rates where cost effective and feasible; to reflect seasonal variations in power costs in rates; to study and analyze interruptible rates; and to develop load management techniques, but the Commission rejected lifeline rates; and

WHEREAS, staff developed written policies to carry out these directives, which were adopted by the Commission in Resolution No. 3405; and

WHEREAS, the Commission believes that adoption of the Governance Policies is in the best interests of the District and its ratepayers and that delegation of authority to maintain and oversee PURPA ratemaking standards to the General Manager, as called for in this resolution, is consistent with PURPA and furthers the goal of adopting the Governance Policies.

NOW, THEREFORE, BE IT RESOLVED that the Commission of Public Utility District No. 1 of Snohomish County, Washington, hereby adopts by reference the findings of fact and conclusions of law contained in Resolution No. 2502 relating to PURPA ratemaking standards, and authorizes and directs the General Manager to maintain in written form and carry out the ratemaking standards as adopted by the Commission in Resolution No. 3405.

EXHIBIT "H"
RESOLUTION NO. 4848-H

A RESOLUTION Consolidating and Re-adopting Existing Rate Schedules for Street Lighting and Electric Service and Authorizing the General Manager to Establish Procedures and Collect Charges Under Those Rate Schedules Consistent With the Governance Policies.

WHEREAS, the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (hereafter referred to as the "Commission") has determined that it should follow the Governance Policies and is adopting resolutions and policies, including this resolution, to put the Governance Policies into operation; and

WHEREAS, under R.C.W. Section 54.24.080, the Commission is required to "establish, maintain, and collect rates or charges for electric energy and water and other services, facilities, and commodities sold, furnished, or supplied by the district;" and

WHEREAS, the Commission has in the past adopted rate schedules for electric and street lighting service after appropriate notice to the public, hearings, and due consideration; and

WHEREAS, the Commission wishes to consolidate previously adopted resolutions related to rate schedules into a single document which will be updated from time to time in conformance with R.C.W. § 54.24.080, and to delegate to the General Manager or his or her designee such authority as is necessary to establish policies for receipt of service under such rate schedules, to provide service to customers receiving electric and street lighting service under such rate schedules, and to collect such amounts as are due from customers under such rate schedules; and

WHEREAS, the Commission wishes to adopt the electric and street lighting rate schedules which are attached hereto as Appendix A and incorporated herein by reference; and

WHEREAS, the District is required under R.C.W. Chapter 80.60 to offer net metered rates, which the Commission adopted in Schedule 200 after holding public hearings and making required findings of fact and conclusions of law; and

WHEREAS, the District was required by Section 210 of the Public Utility Regulatory Policies Act to adopt rules for the interconnection of cogeneration and small power production facilities following public hearings within one year after March 20, 1980, and the Commission held such hearings, made the requisite findings of fact, and adopted such rules in Rate Schedule 90 and in the Cogeneration and Small Power Production Service Policy; and

WHEREAS, the Commission believes that adoption of the Governance Policies in the best interests of the District and its ratepayers and that the re-adoption of rate schedules and delegation of duties to the General Manager called for in this resolution is consistent with and furthers the goal of adopting the Governance Policies.

NOW, THEREFORE, BE IT RESOLVED that the Commission of Public Utility District No. 1 of Snohomish County, Washington, hereby adopts the rate schedules for street lighting and electric service which are attached hereto as Appendix A and incorporated by reference as if set forth fully herein. The Commission hereby delegates to the General Manager or his or her designee such authority as is necessary to establish policies for receipt of service under such rate schedules, to provide service to customers receiving street lighting and

electric service under such rate schedules, and to collect amounts owing from customers under such rate schedules.

The Commission re-adopts the findings of fact and conclusions of law contained in Resolution No. 4819 adopting the Net Metering Rate Schedule 200, which are incorporated herein by reference, and re-adopts Rate Schedule 200, and the Commission authorizes the General Manager or his or her designee to carry out the policies adopted in Resolution No. 4819.

The Board re-adopts the findings of fact and conclusions of law contained in Resolution No. 2473 concerning purchase of power from cogeneration and small power production facilities in accordance with PURPA Section 210, re-adopts Schedule 90, and authorizes the General Manager or his or her designee to carry out the policies contained in the Cogeneration and Small Power Production Service Policy, and further authorizes the General Manager to amend the Cogeneration and Small Power Production Service Policy from time to time to reflect changes in the law and circumstances under which the District purchases power from such cogeneration and small power production sources.

APPENDIX "A" to EXHIBIT "H," PART I

STREET LIGHTING RATES

- Schedule 1 Municipal Street Lighting Service.
- Schedule 2 Suburban Street Lighting Service.
- Schedule 3 Area Lighting Service.
- Schedule 4 Municipal Owned and Maintained Street Lighting Service.

APPENDIX "A" to EXHIBIT "H," PART I

EFFECTIVE UNTIL DECEMBER 31, 1999

SCHEDULE 1---MUNICIPAL STREET LIGHTING SERVICE.

(1) **AVAILABILITY.** This schedule is available to counties and municipalities in all territory served by the District for street lighting service upon execution of a Municipal Street Lighting Contract.

This schedule provides for lighting from dusk to dawn for public streets, alleys, thoroughfares, and grounds, installed in accordance with District specifications.

(2) **MONTHLY RATES.**

| | |
|-----------|--------|
| 100 Watts | \$3.50 |
| 150 Watts | 4.00 |
| 200 Watts | 4.50 |
| 250 Watts | 5.30 |
| 400 Watts | 7.30 |

(3) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the Contract and the District's Electric Service Regulations.

(4) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body upon the District.

Effective Date: January 1, 1989.

APPENDIX "A" to EXHIBIT "H," PART I

EFFECTIVE BEGINNING JANUARY 1, 2000

SCHEDULE 1---MUNICIPAL STREET LIGHTING SERVICE.

(1) **AVAILABILITY.** This schedule is available to counties and municipalities in all territory served by the District for street lighting service upon execution of a Municipal Street Lighting Contract.

This schedule provides for lighting from dusk to dawn for public streets, alleys, thoroughfares, and grounds, installed in accordance with District specifications.

(2) **MONTHLY RATES.**

| | |
|-----------|--------|
| 100 Watts | \$4.39 |
| 150 Watts | 5.01 |
| 200 Watts | 5.64 |
| 250 Watts | 6.64 |
| 400 Watts | 9.15 |

(3) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the Contract and the District's Electric Service Regulations.

(4) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

Effective Date: January 1, 2000.

[Res. No. ; History: 3405 (1990); 3206 (1988); 2892 (1985); 2531 (1981); 2379 (1980); 2345 (1979); 2202 (1978); 2062 (1976); 1996 (1975); 1737 (1971); 1392 (1966); 1371 (1966); 795 (1957)]

EFFECTIVE UNTIL DECEMBER 31, 1999

APPENDIX "A" to EXHIBIT "H," PART I

SCHEDULE 2---SUBURBAN STREET LIGHTING SERVICE.

(1) **AVAILABILITY.** This schedule is available to clubs, associations, and other sponsors acceptable to the District, in all territory served by the District for street lighting service upon execution of a Suburban Street Lighting Contract or formation of a street lighting Local Utility District.

This schedule provides for lighting from dusk to dawn for streets, alleys, thoroughfares, and grounds, as approved by the District and installed in accordance with District specifications. This schedule further requires a minimum installation of 10 luminaires where overhead construction is to be utilized exclusive of Local Utility Districts.

(2) **MONTHLY RATES.**

Overhead Construction

| | |
|-----------|--------|
| 100 Watts | \$3.69 |
| 200 Watts | 4.48 |
| 250 Watts | 5.06 |

Underground Construction

| | |
|-----------|--------|
| 100 Watts | \$5.00 |
| 200 Watts | 5.79 |
| 250 Watts | 6.37 |

(3) **LUD ADMINISTRATIVE CHARGE.** In addition to the above monthly rates, lighting utility districts are assessed an administrative charge of \$16.51 per light per year.

(4) **TERMS OF SERVICE.** Service under this schedule is subject to the terms as defined in the Contract and the District's Electric Service Regulations.

(5) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body upon the District.

Effective Date: January 1, 1988

APPENDIX "A" to EXHIBIT "H," PART I

EFFECTIVE BEGINNING JANUARY 1, 2000

SCHEDULE 2----SUBURBAN STREET LIGHTING SERVICE.

(1) AVAILABILITY. This schedule is available to clubs, associations, and other sponsors acceptable to the District, in all territory served by the District for street lighting service upon execution of a Suburban Street Lighting Contract or formation of a street lighting Local Utility District.

This schedule provides for lighting from dusk to dawn for streets, alleys, thoroughfares, and grounds, as approved by the District and installed in accordance with District specifications. This schedule further requires a minimum installation of 10 luminaries where overhead construction is to be utilized exclusive of Local Utility Districts.

(2) MONTHLY RATES.

Overhead Construction

| | |
|-----------|--------|
| 100 Watts | \$4.70 |
| 200 Watts | 5.70 |
| 250 Watts | 6.44 |

Underground Construction

| | |
|-----------|--------|
| 100 Watts | \$6.37 |
| 200 Watts | 7.37 |
| 250 Watts | 8.11 |

(3) LUD ADMINISTRATIVE CHARGE. In addition to the above monthly rates, lighting utility districts are assessed an administrative charge of \$16.51 per light per year.

(4) TERMS OF SERVICE. Service under this schedule is subject to the terms as defined in the Contract and the District's Electric Service Regulations.

(5) TAX ADDITIONS. The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

Effective Date: January 1, 2000.

[Res. No. 4835 (1999); History: 3405 (1990); 3206 (1988); 2892 (1985); 2644 (1982); 2531 (1981); 2345 (1979); 2202 (1978); 1996 (1975); 1392 (1966); 1371 (1966); 795 (1957)]

APPENDIX "A" to EXHIBIT "H," PART I

SCHEDULE 3---AREA LIGHTING SERVICE.

(1) **AVAILABILITY.** This schedule is available in all territory served by the District for overhead lighting upon execution of an Area Lighting Service Contract.

This schedule provides for lighting from dusk to dawn on public or private property, installed in accordance with District specifications.

(2) **RATE.**

100 watt high pressure sodium 17 cents per day

(3) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the Contract and the District's Electric Service Regulations.

(4) **TAX ADDITIONS.** The above rate is subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 3405 (1990); 3206 (1988); 2892 (1985); 2644 (1982); 2531 (1981); 2345 (1979); 2202 (1978); 1996 (1975); 1392 (1966); 1371 (1966); 795 (1957)]

APPENDIX "A" to EXHIBIT "H," PART I

SCHEDULE 4---MUNICIPAL OWNED AND MAINTAINED STREET LIGHTING SERVICE.

(1) **AVAILABILITY.** This schedule is available to counties and municipalities in all territory served by the District for municipally owned and maintained street lighting service upon execution of a Municipally Owned and Maintained Street Lighting Contract.

(2) **MONTHLY RATES.**

| | |
|-----------|--------|
| 100 Watts | \$1.47 |
| 150 Watts | 1.97 |
| 200 Watts | 2.43 |
| 250 Watts | 3.06 |
| 400 Watts | 4.61 |

(3) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the Contract and the District's Electric Service Regulations.

(4) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 3405 (1990); 3168 (1988)]

APPENDIX "A" to EXHIBIT "H," PART II

ELECTRIC UTILITY RATES

| | |
|--------------|--|
| Schedule 7 | Residential Service. |
| Schedule 20 | General Service. |
| Schedule 23 | Special Continuous Service. |
| Schedule 24 | Time of Use General Service. |
| Schedule 35 | Primary Service. |
| Schedule 36 | Large Primary Service. |
| Schedule 36 | Large Primary Service Cogeneration Provisions. |
| Schedule 37 | New Large Single Loads. |
| Schedule 50 | Market-based Service. |
| Schedule 82 | Adjustments. |
| Schedule 90 | Cogeneration and Small Power Production Purchases From Facilities Smaller Than 100kW. |
| Schedule 200 | Net Metering Program. |

APPENDIX "A" to EXHIBIT "H," PART II

SCHEDULE 7---RESIDENTIAL SERVICE.

(1) **AVAILABILITY.** This schedule is available in all territory served by the District for residential service. To be eligible for residential service, a facility must have no more than two dwelling units on a single meter and all facilities or structures must be related to or intended for human habitation. This schedule is also available for incidental farm service when used in conjunction with such residential service on the same premises. The following rates will be in effect through the dates indicated below, unless amended by the Commission.

(2) **TYPE OF SERVICE.** Sixty-hertz alternating current. The District reserves the right of final determination of voltage and phase of service.

(3) **MONTHLY RATE.**

(a) **Low Income Senior Citizens.** A "low income senior citizen" is a person who is 62 years of age or older and whose total income, including that of his or her spouse or cotenant, does not exceed the amount specified in RCW 84.36.381(5)(b)(ii), which is presently \$18,000, as such statute may be amended. The terms "combined disposable income", "disposable income" and "cotenant" have the meanings set forth in RCW 84.36.383(4), (5) and (6), as they may be amended, except that the term "assessment year" as used therein shall mean the calendar year preceding that during which the reduced rate is requested. Low income senior citizens whose completed application has been approved by the District are eligible for the following reduced rates:

| | |
|-------------------------|---------------------|
| April through September | 5.108 cents per kWh |
| October through March | 5.377 cents per kWh |

or 37 cents per day, whichever is greater.

Less the following reductions from the total bill during the period October 1, 1998 through March 31, 1999:

| | |
|--|-----------------|
| \$ 0 - \$ 6,000 combined disposable income | - 70% reduction |
| \$ 6,001 - \$12,000 combined disposable income | - 50% reduction |
| \$12,001 - \$18,000 combined disposable income | - 20% reduction |

(b) **Other Low Income Citizens.** An "Other low income citizen" means a person whose household income does not exceed one hundred twenty-five percent of the federally established poverty level. Other low income citizens whose completed applications have been approved by the District are eligible for the following reduced rates:

APPENDIX "A" to EXHIBIT "H," PART II

(b) continued

April through September 5.108 cents per kWh
 October through March 5.377 cents per kWh
 or 37 cents per day, whichever is greater.

Less the following reductions from the total bill during
 the period October 1, 1998 through March 31, 1999:

Household income between 0% and 75% of federally established
 poverty level - 70% reduction
 Household income between 76% and 100% of federally established
 poverty level - 50% reduction
 Household income between 101% and 125% of federally established
 poverty level - 20% reduction

(c) All Other Schedule 7 Customers.

For the period April 1, 1999 through September 30, 1999:

April through September 5.155 cents per kWh
 October through March 5.424 cents per kWh
 or 38 cents per day, whichever is greater

After September 30, 1999:

April through September 5.108 cents per kWh
 October through March 5.377 cents per kWh
 or 37 cents per day, whichever is greater

(4) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the District's Electric Service Regulations.

(5) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999), History: 4774 (1998), 4666 (1997); 4600 (1997); 4532 (1996); 4366 (1995); 4146 (1994); 4010 (1993); 3984 (1993); 3908 (1993); 3826 (1992); 3644 (1991); 3405 (1990); 3386 (1990); 3284 (1989); 3283 (1989); 3281 (1989); 3169 (1988); 3104 (1987); 2969 (1986); 2881 (1985); 2879 (1985); 2806 (1984); 2726 (1983); 2715 (1983); 2704 (1983); 2684 (1983); 2644 (1982); 2528 (1981); 2509 (1981); 2459 (1981); 2445 (1980); 2442 (1980); 2436 (1980); 2426 (1980); 2345 (1979); 2202 (1978); 1996 (1975); 1392 (1966); 1371 (1966); 795 (1957)]

APPENDIX "A" to EXHIBIT "H," PART II

SCHEDULE 20----GENERAL SERVICE.

(1) **AVAILABILITY.** This schedule is available in all territory served by the District for commercial, industrial, governmental, institutional, agricultural, and multiple residential customers. This schedule does not apply to loads over 10 average megawatts. Such loads shall be served by Rate Schedule 37 - New Large Single Loads.

(2) **TYPE OF SERVICE.** Sixty hertz alternating current. The District reserves the right of final determination of voltage and phase of service. Where mutually advantageous to the customer and the District, and at the option of the District, service may be metered on the primary side of the District's transformers.

(3) **RATE.**

26 cents per day customer charge
 plus

| | | Demand | |
|--------------------------|--------------------|---|---|
| | | First 100 kW per month of billing demand | All kW over 100 kW per month of billing demand |
| January through December | 0 | | \$3.23 per kW |
| | | Energy | |
| | | First 30,000 kWh per month | All kWh over 30,000 kWh per month |
| October through March | 4.99 cents per kWh | | 3.69 cents per kWh |
| April through September | 4.29 cents per kWh | | 2.90 cents per kWh |

(4) **MINIMUM CHARGE.**

41 cents per day plus 1.783 cents per kW per day for all connected load in excess of 10 kW.

(5) **BILLING DEMAND.** The monthly billing demand is subject to adjustment in accordance with Schedule 82, and shall be the maximum fifteen-minute demand established during the month.

(6) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the District's Electric Service Regulations.

APPENDIX "A" to EXHIBIT "H," PART II

(7) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

(8) **THE ABOVE RATES AND BILLING DEMANDS ARE SUBJECT TO RATE SCHEDULE 82 - ADJUSTMENTS.**

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 4600 (1997); 4010 (1993); 3908 (1993); 3405 (1990); 3386 (1990); 2879 (1985); 2726 (1983); 2704 (1983); 2684 (1983); 2644 (1982); 2509 (1981); 2445 (1980); 2442 (1980); 2345 (1979); 2202 (1978); 1996 (1975); 1392 (1966); 1371 (1966); 795 (1957)]

SCHEDULE 23----SPECIAL CONTINUOUS SERVICE.

APPENDIX "A" to EXHIBIT "H," PART II

(1) **AVAILABILITY.** This schedule is available in all territory served by the District for nonmetered service to television cable amplifiers, air traffic warning lights, and other such applications where metering is deemed impractical by the District.

This schedule requires that customer-owned, fixed load equipment be installed on existing District-owned distribution facilities.

(2) **TYPE OF SERVICE.** Sixty hertz alternating current. The District reserves the right of final determination of voltage and phase of service.

(3) **MONTHLY RATE.**

19 cents per day customer charge
 plus
 April through September 4.29 cents per kWh
 October through March 4.99 cents per kWh

Energy use shall be computed by the following formula:

$$\frac{\text{Equipment wattage rating} \times \text{hours of operation}}{1000} = \text{kWh}$$

(4) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the District's Electric Service Regulations.

(5) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

[Res. No. 4835 (1999); History: 4600 (1997); 4010 (1993); 3908 (1993); 3405 (1990); 2879 (1985); 2726 (1983); 2704 (1983); 2684 (1983); 2644 (1982); 2509 (1981); 2445 (1980); 2442 (1980); 2345 (1979); 2202 (1978); 1996 (1975)]

Effective Date: April 1, 1999.

SCHEDULE 24----TIME OF USE GENERAL SERVICE.

APPENDIX "A" to EXHIBIT "H," PART II

(1) **AVAILABILITY.** This schedule is designed for non-residential customers who can significantly shift their loads throughout the day. Customers must have an average typical monthly load demand exceeding 500 kW.

(2) **TYPE OF SERVICE.** Sixty hertz alternating current. The District reserves the right of final determination of voltage and phase of service. Where mutually advantageous to the customer and the District, and at the option of the District, service may be metered on the primary side of the District's transformers.

(3) RATE.

26 cents per day customer charge
 plus

| | | Demand |
|--------------------------|---|--|
| | | ----- |
| | First 100 kW per month of billing demand | All kW over 100 kW per month of billing demand |
| January through December | 0 | \$5.70 per kW of maximum monthly demand established during the hours from 7 a.m. to 11 a.m. standard or daylight time as applicable, Monday through Saturday. All other hours, no demand charge. |
| | | Energy |
| | | ----- |
| | First 30,000 kWh per month | All kWh over 30,000 kWh per month |
| October through March | 5.12 cents per kWh | 3.82 cents per kWh |
| April through September | 4.42 cents per kWh | 3.03 cents per kWh |

(4) MINIMUM CHARGE.

41 cents per day plus 1.783 cents per kW per day for all connected load in excess of 10 kW.

(5) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the District's Electric Service Regulations.

(6) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

(7) **THE ABOVE RATES AND BILLING DEMANDS ARE SUBJECT TO RATE SCHEDULE 82 - ADJUSTMENTS.**

APPENDIX "A" to EXHIBIT "H," PART II

(8) **SURCHARGE.** If a customer qualifies and elects to be served under a different District rate schedule after having been served under this Rate Schedule 24, and elects to later be served again under this Rate Schedule 24, then: The customer must first pay a surcharge to the District equal to the monthly demand charge under the schedule or schedules the customer is transferring from for each month since the customer was last served under Rate Schedule 24.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 4600 (1997); 4138 (1994); 4089 (1994)]

SCHEDULE 35----PRIMARY SERVICE.

(1) **AVAILABILITY.** This schedule is available only to customers who were being served under its terms on November 1, 1983.

APPENDIX "A" to EXHIBIT "H," PART II

The District specifies that a "New Large Single Load" is any load associated with a new facility, an existing facility, or an expansion of an existing facility:

(a) Which was not contracted for, or committed to, as determined by the Bonneville Power Administrator, by the District prior to September 1, 1979; and

(b) Which will result in an increase in the power requirements of a customer of ten average megawatts or more in any consecutive twelve month period.

This definition conforms with the definition of "New Large Single Load" contained in Section 3(13) of the Regional Power Act (P.L. 96-501) and Sections 3, 8, and 9 of the District's Power Sales Contract #DE-MS79-81BP-90512 with the Bonneville Power Administration. Any and all costs, in addition to those contained in the rates set forth below, which the District must pay as a result of any new or existing customer being monitored for determination of, or determined to be, a "New Large Single Load" including, but not limited to, monitoring, backbilling, metering, billing, and penalties, shall be directly charged to that customer above and beyond the rates set forth below. These additional costs charged directly to the customer may also include increased power costs for any preceding period during which power was supplied to that customer, and during which the customer was retroactively determined to be a "New Large Single Load."

Any customer purchasing power under this rate schedule which has all or a portion of its load designated a "New Large Single Load," or has all or a portion of its load monitored to determine if it should be so designated, shall be ineligible to purchase power under this rate schedule for that portion of its load which has been designated as, or is being monitored for, designation as a "New Large Single Load."

(2) **TYPE OF SERVICE.** Three phase, sixty hertz alternating current at the primary voltage available.

APPENDIX "A" to EXHIBIT "H," PART II

(3) RATE.

| | |
|--------------------------|---|
| | <u>Demand</u> |
| January through December | \$5.28 per kW of monthly billing demand |
| | <u>Energy</u> |
| September through March | 3.10 cents per kWh |
| April through August | 2.28 cents per kWh |

(4) MINIMUM CHARGE. The monthly minimum shall be the minimum charge contracted for, but in no case less than \$208.

(5) TERMS OF SERVICE. Service under this schedule is subject to terms as defined in the customer contract and the District's Electric Service Regulations.

(6) TAX ADDITIONS. The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

(7) THE ABOVE RATES AND BILLING DEMANDS ARE SUBJECT TO RATE SCHEDULE 82 - ADJUSTMENTS.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 4600 (1997); 4010 (1993); 3908 (1993); 3405 (1990); 3386 (1990); 2879 (1985); 2726 (1983); 2704 (1983); 2684 (1983); 2644 (1982); 2509 (1981); 2445 (1980); 2442 (1980); 2345 (1979); 2202 (1978); 1996 (1975); 1392 (1966); 1371 (1966); 795 (1957)]

APPENDIX "A" to EXHIBIT "H," PART II

SCHEDULE 36----LARGE PRIMARY SERVICE.

(1) AVAILABILITY. This schedule is available in all territory served by the District for unregulated service to loads with demands exceeding 5000 kW, upon execution of a contract for a term of not less than 5 years.

The District specifies that a "New Large Single Load" is any load associated with a new facility, an existing facility, or an expansion of an existing facility:

(a) Which was not contracted for, or committed to, as determined by the Bonneville Power Administrator, by the District prior to September 1, 1979; and

(b) Which will result in an increase in power requirements of a customer of ten average megawatts or more in any consecutive twelve month period.

The above definition conforms with the definition of "New Large Single Load" contained in Section 3(13) of the Regional Power Act (P.L. 96-501) and Sections 3, 8, and 9 of the District's Power Sales Contract #DE-MS79-81BP-90512 with the Bonneville Power Administration. Any and all costs, in addition to those contained in the rates set forth below, which the District must pay as a result of any new or existing customer being monitored for determination of, or determined to be, a "New Large Single Load," including, but not limited to, monitoring, backbilling, metering, billing, and penalties, shall be directly charged to that customer above and beyond the rates set forth below. These additional costs charged directly to the customer may also include increased power costs for any preceding period during which power was supplied to that customer, and during which the customer was retroactively determined to be a "New Large Single Load."

Any customer purchasing power under this rate schedule which has all or a portion of its load designated a "New Large Single Load," or has all or a portion of its load monitored to determine if it should be so designated, shall be ineligible to purchase power under this rate schedule for that portion of its load which has been designated as, or is being monitored for, designation as a "New Large Single Load."

(2) TYPE OF SERVICE. Three phase, sixty-hertz alternating current at the primary voltage available.

APPENDIX "A" to EXHIBIT "H," PART II

(3) RATE.

| | |
|--------------------------|---|
| | <u>Demand</u> |
| January through December | \$3.76 per kW of monthly billing demand |
| | <u>Energy</u> |
| September through March | 3.09 cents per kWh |
| April through August | 2.22 cents per kWh |

(4) MINIMUM CHARGE. The monthly minimum shall be the minimum charge contracted for, but in no case less than \$5,198.

(5) BILLING DEMAND. The monthly billing demand is subject to adjustment in accordance with Schedule 82, and shall be:

(a) The maximum sixty-minute demand established during the hours from 7 a.m. to 10 p.m. standard or daylight time as applicable, Monday through Saturday.

(b) All other hours - no demand charge.

(6) TERMS OF SERVICE. Service under this schedule is subject to terms as defined in the customer contract and the District's Electric Service Regulations.

(7) TAX ADDITIONS. The above rates are subject to proportional increases to compensate for any gross revenue tax imposed by any municipal body or other governmental body having jurisdiction upon the District.

(8) THE ABOVE RATES AND BILLING DEMANDS ARE SUBJECT TO RATE SCHEDULE 82 - ADJUSTMENTS.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 4600 (1997); 4010 (1993); 3908 (1993); 3405 (1990); 3386 (1990); 3211 (1988); 2879 (1985); 2726 (1983); 2704 (1983); 2684 (1983); 2644 (1982); 2509 (1981); 2445 (1980); 2442 (1980); 2345 (1979); 2202 (1978); 1996 (1975); 1653 (1970); 1392 (1966); 1371 (1966); 795 (1957)]

APPENDIX "A" to EXHIBIT "H," PART II

SCHEDULE 36----LARGE PRIMARY SERVICE COGENERATION PROVISIONS.

(1) **APPLICABILITY.** Cogeneration shall be defined as equipment used to produce electric energy and forms of useful thermal energy (such as heat or steam), used for industrial, commercial, heating or cooling purposes, through the sequential use of energy. Customers who generate electric energy through cogeneration in amounts less than their total load on the District, and who otherwise qualify for service pursuant to Section 5.01.20, shall be subject to the Standby Charge and Cogeneration Rate and Billing Demand provisions of this Section in addition to the provisions contained in Section 5.01.20. Such customers must file with the District a letter declaring to the District's satisfaction the nameplate capacity of the customer's cogeneration and a proposed schedule and range of operation, including expected maintenance shutdowns. This information shall be updated annually. Any additional metering costs incurred by the District will be borne by such customer.

Customers who wish to generate electric energy through cogeneration in excess of their firm loads on the District, must execute a cogeneration agreement with the District prior to commencing cogeneration in excess of their firm loads on the District. After execution of the cogeneration agreement, such customers who otherwise qualify for service pursuant to Section 5.01.20, shall be subject to the Standby Charge and Cogeneration Rate and Billing Demand Provisions of this Section in addition to the provisions contained in Section 5.01.20.

(2) **STANDBY CHARGE.** The District will stand ready to provide backup service for that portion of the customer's load served by cogeneration in return for payment of a monthly fee of \$0.6183 per kW. This charge shall be applied to the generation at the time that the billing demand is established.

(3) **COGENERATION RATE AND BILLING DEMAND.** The customer shall also pay, or receive a credit, based upon the Monthly Cogeneration Billing Demand as calculated below:

APPENDIX "A" to EXHIBIT "H," PART II

The monthly Cogeneration Billing Demand EQUALS (a) MINUS (b), as follows:

- (a) The customer's generation (kW) during the hour of the customer's billing demand, as defined in Section 5.01.20(5), during the month.

MINUS

- (b) The greater of:
- (i) The customer's generation (kW) at the time of the District's monthly peak load on Bonneville Power Administration, or
 - (ii) One-half (1/2) the difference between the customer's metered peak demand for the month and the customer's metered load at the time of the District's peak load on Bonneville Power Administration, but no greater than (a) above (the customer's generation at the time of the customer's billing demand).

EQUALS MONTHLY COGENERATION BILLING DEMAND

If the Cogeneration Billing Demand is positive, the customer shall pay the BPA Priority Firm demand rate for the Cogeneration Billing Demand. If the Cogeneration Billing Demand is negative, the customer will receive a credit at the BPA Priority Firm demand rate in effect at the time.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 4600 (1997); 4010 (1993); 3908 (1993); 3405 (1990); 3386 (1990); 3211 (1988)]

APPENDIX "A" to EXHIBIT "H," PART II

SCHEDULE 37---NEW LARGE SINGLE LOADS.

(1) **AVAILABILITY.** This schedule is available in all territory served by the District. All loads or portions of loads determined to be, or being monitored for determination as, a "New Large Single Load," as defined below, shall be served according to this rate schedule.

A "New Large Single Load" is any load associated with a new facility, an existing facility, or an expansion of an existing facility:

(a) Which was not contracted for, or committed to, as determined by the Bonneville Power Administrator, by the District prior to September 1, 1979; and

(b) Which will result in an increase in power requirements of a customer of ten average megawatts or more in any consecutive twelve month period.

(2) **METERING.** Any load or portion of a load determined to be, or being monitored for determination as, a "New Large Single Load" shall be separately metered. If facilities are not available for separately metering a load or a portion of a load which has been determined to be, or which is being monitored for determination as, a "New Large Single Load," such metering facilities shall be installed as soon as practicable.

(3) **TYPE OF SERVICE.** Three phase, sixty-hertz alternating current at the primary voltage available.

(4) **RATES AND BILLING.** The District shall bill the customer for service over billing periods to be defined in the Customer Contract. The periodic rates for service provided under this Schedule 37 shall be specified in the Customer Contract, and shall include the following components (which components may be separated and rebundled in the manner as agreed between the District and the customer):

(a) Energy and Capacity. Rates to be based on the cost to the District of power available to serve the customer's load, or power to be acquired by the District to serve the customer's load, plus a reasonable service fee, all in accordance with power supply arrangements agreed in writing between the customer and the District.

(b) Transportation and Losses. Rates to be established based on cost of service methodology applicable to all customer classes.

APPENDIX "A" to EXHIBIT "H," PART II

(c) Ancillary Services. Rates to cover load following, load shaping, firming, price stability, reactive power, risk premium, District overhead, reserves, and other services provided by the District.

(d) Customer Charges; Periodic Minimum Charges; Other Fixed Charges. A periodic fixed fee to cover non-variable or minimum costs. The District also reserves the right to collect contributions in aid of construction or other charges arising out of any required capital expansion or extraordinary costs.

(5) **TERMS OF SERVICE.** Service under this schedule is subject to terms as defined in the Customer Contract and the District's Electric Service Regulations.

(6) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any gross revenue taxes imposed by any municipal body or other governmental entity having jurisdiction upon the District.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 4600 (1997); 4010 (1993); 3908 (1993); 3405 (1990); 2879 (1985); 2726 (1983); 2704 (1983); 2684 (1983); 2644 (1982); 1848 (1973); 1795 (1972); 1392 (1966); 1371 (1966)]

SCHEDULE 50----MARKET-BASED SERVICE.

APPENDIX "A" to EXHIBIT "H," PART II

(1) **AVAILABILITY.** This schedule is available in all territory which the District is authorized to serve, for service to customers determined to be eligible by the District.

(2) **TYPE OF SERVICE.** Service shall be as set forth in the Customer Contract.

(3) **RATES AND BILLING.** The District shall bill the customer for service over billing periods to be defined in the Customer Contract. The periodic rates for service provided under this Schedule 50 shall be specified in the Customer Contract, and shall include the following components (which components may be separated and rebundled in the manner as agreed between the District and the customer):

(a) Energy and Capacity. Rates to be based on the cost to the District of power available to serve the customer's load, or power to be acquired by the District to serve the customer's load, plus a reasonable service fee, all in accordance with power supply arrangements agreed in writing between the customer and the District.

(b) Transportation and Losses. Rates to be established based on cost of service methodology applicable to all customer classes.

(c) Ancillary Services. Rates to cover load following, load shaping, firming, price stability, reactive power, risk premium, District overhead, reserves, and other services provided by the District.

(d) Customer Charges; Periodic Minimum Charges; Other Fixed Charges. A periodic fixed fee to cover non-variable or minimum costs. The District also reserves the right to collect contributions in aid of construction or other charges arising out of any required capital expansion or extraordinary costs.

(4) **TERMS OF SERVICE.** Service under this schedule is subject to terms as set forth in the Customer Contract and the District's Electric Service Regulations. Said terms may include limitations or conditions on any rights of the customer to resume service from the District, upon the expiration or termination of the Customer Contract, under then-existing rate schedules.

(5) **TAX ADDITIONS.** The above rates are subject to proportional increases to compensate for any taxes imposed upon the District by any municipal body or other governmental entity having jurisdiction.

[Res. No. ; History: 4525 (1996)]

SCHEDULE 82----ADJUSTMENTS.

APPENDIX "A" to EXHIBIT "H," PART II

(1) **APPLICABILITY.** This schedule shall apply to other District rate schedules as described below.

(2) **POWER FACTOR ADJUSTMENT.** This adjustment shall apply, at the District's option, to all rate schedules with demand charge provisions. The measured demand shall be increased by one percentage point for each one hundredth (0.01) of a unit by which the average power factor is less than 0.95 lagging between the effective date of this rate schedule and September 30, 1999, and less than 0.97 lagging after September 30, 1999.

The formula for determining average power factor is as follows:

Average Power Factor =

$$\text{kWh Divided By } \frac{\text{kWh}}{\sqrt{(\text{kWh})^2 + (\text{Reactive Kilovolt Ampere Hours})^2}}$$

(Note: kWh = Kilowatt Hours)

The meter for measurement of Reactive Kilovolt Ampere hours will be ratcheted to prevent reverse registration. The billing demand shall be the measured demand as adjusted by this power factor adjustment.

(3) **PRIMARY OWNERSHIP DISCOUNT.** Customers on Rate Schedule 20 - General Service and Rate Schedule 24 - Time of Use General Service, who are metered at the District's primary voltage level, own or lease, and maintain the distribution system (transformers may be leased) beyond the District's point of delivery, and enter into an agreement with the District, may receive a five percent primary ownership discount on their total bill.

(4) **REDUNDANT DISTRIBUTION CAPACITY - SCHEDULE 20.** Customers who receive service under Rate Schedule 20 - General Service and who enter into an agreement with the District may obtain redundant distribution capacity to serve their connected load. Redundant distribution capacity is a delivery service that provides capacity from an alternate path for delivery of electrical power. Redundant distribution capacity does not provide standby electrical power to backup customer-owned generation or other electrical power not provided by the District. It also does not guarantee uninterrupted electrical service. The District may provide such redundant distribution capacity if in the District's sole judgement such capacity can be reserved for the requesting customer without adversely impacting other customers, system operations, system reliability and safety.

APPENDIX "A" to EXHIBIT "H," PART II

The following monthly rates apply:

- Redundant Distribution Capacity Delivered at Secondary Voltage
\$0.97 per kW Connected Load per month.
- Redundant Distribution Capacity Delivered at Primary Voltage
\$0.92 per kW Connected Load per month.

In addition, a customer requesting this service may also be subject to charges under the District's Line Extension Policy and be required to reimburse the District for other costs incurred in establishing the requested redundant distribution capacity.

Effective Date: April 1, 1999.

[Res. No. 4835 (1999); History: 3908 (1993); 3405 (1990); 3386 (1990); 2879 (1985); 2726 (1983); 2345 (1979); 2202 (1978); 1996 (1975); 1371 (1966)]

APPENDIX "A" to EXHIBIT "H," PART II

**SCHEDULE 90---COGENERATION AND SMALL POWER PRODUCTION
PURCHASES FROM FACILITIES SMALLER THAN 100kW.**

(1) **AVAILABILITY.** This schedule is available in all territory served by the District to any customer accepted by the District as a cogenerator or small power producer who executes a contract with the District regarding such status. The schedule shall apply to power generated by cogeneration or small power production facilities with a nameplate capacity of less than 100kW.

(2) **RATE.** The District shall purchase power from an eligible facility at the same energy rate at which the District sells energy to the facility.

Such rate may be modified by Commission resolution, subject to the criteria set forth in the District's Cogeneration and Small Power Production Service Policy, and FERC rules adopted pursuant to PURPA, Section 210.

(3) **TERMS OF SERVICE.** Service under this schedule shall be in accordance with the District's Cogeneration and Small Power Production Service Policy, as well as interconnection, safety, and reliability standards, and any other applicable District standards, policies or procedures.

Effective Date: March 10, 1981.

[Res. No. ; History: 3908 (1993); 3405 (1990); 2473 (1981)]

APPENDIX "A" to EXHIBIT "H," PART II

SCHEDULE 200 -- NET METERING PROGRAM.

(1) **APPLICABILITY.** This rate schedule shall apply to other District rate schedules as described below.

(2) **AVAILABILITY.** The Net Metering Program is available to customers who have an electric generator that has a nameplate capacity of not more than twenty-five (25) kilowatts and is fueled by solar, wind or hydropower, who purchase electric power from the District under the provisions of another District rate schedule, and who sign a Net Metering Agreement with the District allowing them to interconnect to and operate in parallel with the District electric distribution system. The Net Metering Program is available to new participants until such time as the cumulative nameplate capacity of generators participating in the program exceeds 1.455 megawatts (0.1% of the District's peak demand in 1996).

(3) **BILLING ADJUSTMENT.** District charges for electric energy are adjusted as follows.

The customer shall pay for the net energy used by the customer in accordance with the following formula: (a) the customer shall pay for all electric energy used in any billing period in excess of the amount of electricity produced by the customer during that billing period; (b) the customer shall receive a credit for all electric energy produced during a billing period in excess of the amount of electric energy supplied by the District during that period, such credit to be applied to the customer's future electric bills, except that; (c) any energy balance remaining in favor of the customer under the provisions of subparagraph (b) on January 1 of any calendar year shall be zeroed out with no further liability to the District and no credit to the customer for that balance. For the purposes of the Net Metering Program, "billing period" shall be the billing period applied to customers of the same class and in the same geographic area as a customer participating in the Net Metering Program. The price for electric energy provided to or credited to a customer under the Net Metering Program shall be the price charged for such electric energy by the District under the provisions of the rate schedule under which the customer receives service, as such rate schedule may be revised from time to time by the District's Board of Commissioners. A customer participating in the Net Metering Program shall be billed on the schedule applicable to customers in the same class and geographic area as that customer and shall be subject to the payment terms specified in the District's Customer Service Regulations.

The Net Metering Program billing adjustment only applies to charges for energy. A customer participating in the Net Metering Program is subject to all other charges, rates,

APPENDIX "A" to EXHIBIT "H," PART II

terms and conditions, including any minimum charges, of the District rate schedule under which the customer receives service.

Effective Date: January 1, 1999

[Res. No. 4819 (1998)]

EXHIBIT "I"
RESOLUTION NO. 4848-I

A RESOLUTION Authorizing the General Manager to Establish and Administer the Electric Line Extension Policies.

WHEREAS, the Commission of Public Utility District No. 1 of Snohomish County, Washington (the "Commission") has, contemporaneously with the adoption of this resolution, repealed Resolution No. 4833 that set forth the District's Electric Overhead and Underground Line Extension Regulations; and

WHEREAS, the Commission wishes to authorize the District's General Manager to address all matters relating to the electric line extensions, by directive or otherwise, to the extent deemed appropriate by the General Manager.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County that the General Manager or his or her designee is authorized to establish all policies, make all decisions, establish all practices and take all actions relating to the construction, installation and inspection of electric line extensions and connection thereto without further Commission involvement; provided, however, that the payment of fees and costs be required in sufficient amount to recover the District's costs of constructing, installing, and inspecting line extensions and related services.

EXHIBIT "J"
RESOLUTION NO. 4848-J

A RESOLUTION Authorizing the General Manager to Establish and Administer the Water System Extension, Satellite Water System Management and Other Water Policies and Amending Resolution 4768.

WHEREAS, the Commission of Public Utility District No. 1 of Snohomish County (the "Commission") wishes to authorize the District's General Manager to address all matters relating to the District's water policies, by directive or otherwise, to the extent deemed appropriate by the General Manager except for those specifically reserved to the Commission; and

WHEREAS, the Commission accordingly wishes to amend Resolution No. 4768 by repealing all portions of Appendix A thereto entitled Policies and Procedures Manual for Administration of Water Services, Water Resources Division, Public Utility District No. 1 of Snohomish County, except for Section 2 (General Terms, Conditions, and Policies for Water Service) thereof and the rates, charges and fees set forth in Tables B-1, B-6, B-7, B-8, B-9 and B-10 of Appendix B (Rates, Charges and Fees) thereto and Resolution No. 2409 and Exhibit "B" of Resolution No. 2535 are repealed; and

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County that:

1. Resolution No. 4768 is hereby amended to repeal all portions of Appendix A thereto entitled Policies and Procedures Manual for Administration of Water Services, Water Resources Division, Public Utility District No. 1 of Snohomish County, except for Section 2 (General Terms, Conditions and Policies for Water Service) thereof and the rates, charges and fees set forth in Tables b-1,

B 6, B-7, B-8, B-9 and B-10 of Appendix B (Rates, Charges and Fees) thereto, and Resolution No. 2409 and Exhibit "B" of Resolution No, 2535 are repealed.

2. The General Manager or his or her designee is authorized to establish all policies, make all decisions, establish all practices and take all actions relating to: (1) the construction, installation and inspection of water system extensions and connection thereto, (2) satellite water systems and (3) all other matters relating to water policies without further Commission involvement; except, for those matters governed by (a) Section 2 (General Terms, Conditions, and Policies for Water Service) and (b) the rates, charges and fees set forth in Tables B-1, B-6, B-7, B-8, B-9 and B-10 of Appendix B (Rates, Charges and Fees) of Appendix A of Resolution No. 4768 entitled Policies and Procedures Manual for Administration of Water Services, Water Resources Division, Public Utility District No. 1 of Snohomish County; provided, however, that the payment of any required fees and costs be in sufficient amount to recover the District's costs of providing water system extensions, etc., or services.

RESOLUTION NO. 4860

A RESOLUTION Amending Section 2.4.6 of the District's Policies and Procedures for Administration of Water Services.

WHEREAS, pursuant to Resolution No. 4768, the District's Commission established policies and procedures governing administration of the District's Water Resources Division; including Section 2.4.6, which implemented a "Hassle-Free Customer Service" Pilot Program authorizing staff to utilize adjustments to resolve certain types of disputes arising in the regular course of the water utility business; and

WHEREAS, Resolution No. 4848-J amended and repealed portions of Resolution No. 4768, but reserved in the District's Commission the authority to establish the general terms, conditions and policies for water service provided by the District; and

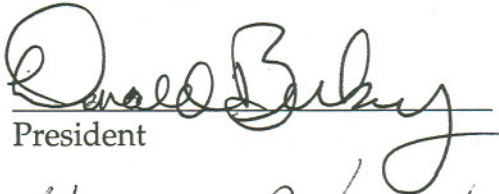
WHEREAS, based upon cost savings to the District and the increased level of customer satisfaction reported by the Water Division, staff have recommended that the "Hassle-Free Customer Service" Program be continued as a regular customer service policy upon expiration of the Pilot Program; and

WHEREAS, based upon the information presented and the recommendations of staff, the Commission finds that continuation of such program in accordance with its current terms and conditions would be reasonable and in the best interest of the District and its customers;

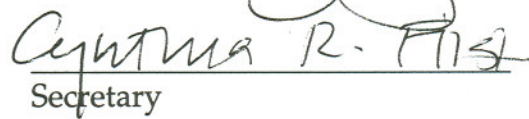
NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County that:

1. Section 2.4.6 of the District's Policies and Procedures for Administration of Water Services shall be amended to continue the "Hassle-Free Customer Service" program as a regular customer service policy, effective upon termination of the Pilot Program, July 1, 1999.
2. Except as amended hereby, such policy shall remain fully in effect and enforced under the same terms and conditions as established in Resolution No. 4768.

PASSED AND APPROVED this 13th day of July, 1999.


President


Vice President


Secretary

Below is a table of the adjustments granted through May 31, 1999.

| Date | Meter No. | Description | Adjustment | Est. Costs Under Old Policy | Est. Savings |
|----------|-----------|---|--|-----------------------------|--------------|
| 11/24/98 | 155579 | Water service damaged by contractor. Reimbursement coordinated from contractor. | \$195.30 | \$299.64 | \$104.34 |
| 11/24/98 | 569220 | Water filtration system damaged by water hammer caused by fire department connecting to nearby hydrant. Reimbursement sought from fire department. | \$67.61 | \$233.45 | \$165.84 |
| 11/19/98 | Unmetered | Dispute on cut-in date on unmetered account. In addition, untimely delay on installation of water meter. | \$93.52 | \$946.05 | \$852.53 |
| 10/5/98 | 342284 | Water usage for irrigation and did not contribute to septic accumulation. Adjusted septic pumping account. | \$116.24 | \$194.50 | \$78.26 |
| 1/25/99 | 157491 | Leak adjustment on recreational property. | \$26.30 | \$130.74 | \$104.44 |
| 2/9/99 | 402861 | Customer received incorrect water bill. When calling Water Dept. was told, by the amount of their billing and looking at CIS screen, appeared they had a large leak. Customers looked for leak – couldn't find anything so opted to reconnect water from well rather than dig up entire line (400±'), and requested leak adj. When adj was processed, customer accounting realized water billing was incorrect and rebilled customer with correct read. In meantime, customer spent over \$1,500 for a new well pump. | \$500.00 | \$1,530.06 | \$1,030.06 |
| 5/14/99 | 864671 | In January, customer had leak due to frozen pipes. He had repairs made asap and called CSR from Arkansas and was told to request leak adj when he returned, then was told no adj for frozen pipes – mislead by CSR. | \$124.09 | \$240.18 | \$116.09 |
| 4/26/99 | 160948 | PUD cut sidewalk to install water meter. Customer fixed themselves and wanted PUD to repay in full for asphalt patch. | \$50.00 (based on our avoided cost) | \$425.94 | \$375.94 |
| 3/30/99 | 155143 | Lk Roesiger customer – after paying \$6.69 for a year, called PUD to have meter MD'd and was told he would have to continue to pay. Door hanger was left that elec service was discontinued – but with water meter #. Then he found out he could have cut-out after 1 yr. He wanted a refund on \$6.69 and water meter relocated. | \$190.00 (subtracted from meter relocation fee) | \$447.94 | \$257.03 |

RESOLUTION NO. 4919

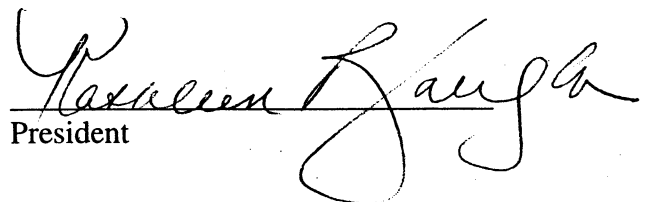
A RESOLUTION Authorizing the General Manager to Execute a Water Supply Pipeline Construction, Operation, and Maintenance Agreement with the City of Sultan, Washington, Pursuant to the State Interlocal Cooperation Act.

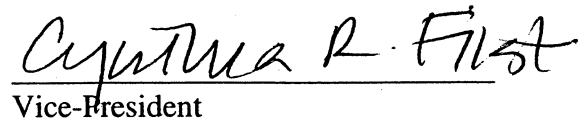
WHEREAS, the City of Sultan, Washington (the "City") has requested the District's assistance and participation in a Water Supply Pipeline Project intended to convey treated water from the City of Everett Water Transmission Line No. 5 to the City's water distribution system, and agreement for joint action between the City and the District to carry out such a project is authorized pursuant to Chapter 39.34 RCW, the Interlocal Cooperation Act; and

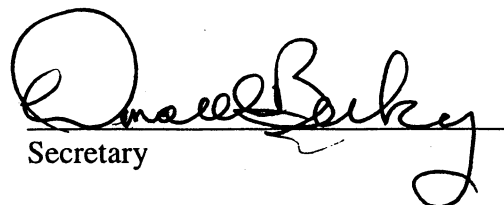
WHEREAS, the District's Board of Commissioners finds that District assistance and participation in the proposed Water Supply Pipeline Project would be in the long-term interest of the District, its Jackson Hydroelectric Project, and its water utility customers,

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Public Utility District No. 1 of Snohomish County (the "District") hereby authorizes and directs the District's General Manager to execute on behalf of the District a Water Supply Pipeline Construction, Operation, and Maintenance Agreement, substantially in the form of that Agreement attached hereto as Exhibit A and incorporated herein by this reference.

PASSED AND APPROVED this 25th day of April, 2000.


President


Vice-President


Secretary

**WATER SUPPLY PIPELINE CONSTRUCTION,
OPERATION AND MAINTENANCE
AGREEMENT**

THIS AGREEMENT is entered into effective this 25th day of April, 2000, by and between Public Utility District No. 1 of Snohomish County, a municipal corporation of the State of Washington (the "District"), and the City of Sultan, Washington (the "City") (herein referred to collectively as the "Parties").

WHEREAS, provision for an adequate and safe water supply to serve the immediate and long-term needs of their respective present and future residents and water service customers is important to the City and to the District, and is required to carry out their individual comprehensive water plans and the growth management plans and goals of Snohomish County, and

WHEREAS, the City and the District collaborated in 1998 to fund a Regional Water Supply Alternatives Study relating to the City's urban growth area and the District's adjacent Skykomish Water Service Area, and such study recommended construction of a new water pipeline to deliver City of Everett treated water from the City of Everett Transmission Line No. 5 to the City's existing system in order to meet the City's current and future needs, and

WHEREAS, the District has determined that participation in such a water pipeline project would protect and enhance the District's Jackson Hydroelectric Project and provide it an opportunity to secure capacity in the proposed water pipeline to support its future, long-term ability to economically meet its responsibilities under the North Snohomish County Coordinated Water System Plan, and

WHEREAS, the Parties have recognized the mutual benefits that would be derived from cooperation in a joint pipeline project utilizing their combined resources and expertise for design, construction and maintenance of the proposed water pipeline, and

WHEREAS, the Parties are authorized to enter into this Agreement under the Interlocal Cooperation Act, chapter 39.34 RCW,

NOW, THEREFORE, the City and the District agree as follows:

1. GENERAL

- A. Projected water demand within the City and its urban growth area is beginning to exceed the capacity of the existing developed water supply, especially in the summer months, and the City may not have sufficient reliable supplies to meet its needs. Current projections show that the City can expect to experience substantial

growth for the foreseeable future. Therefore, the City desires to participate in a project capable of meeting its immediate and long-term needs.

- B. The District does not currently anticipate the need for additional water resources within its Skykomish Water Service Area east of the City for a period of at least ten years or more, but recognizes the reasonable likelihood that existing resources may quickly become insufficient after such time, and such projection may be subject to change based upon conditions such as ground water contamination, future water right use restrictions based upon the federal Endangered Species Act or other law, the provision of sanitary sewers, and continued acceleration of population and business growth. Therefore, the District believes it prudent to participate in a project capable of meeting its long-term needs, even though it has no current plans for utilization or expansion of the facilities to be constructed hereunder.
- C. As owner and operator of the Jackson Hydroelectric Project (the "Jackson Project"), the District owns or holds rights to use and occupancy of a substantial portion of the property that would necessarily be crossed by any water pipeline installed to supply City of Everett water to the Parties. As a result of the potential risks, liabilities and costs associated with installation, and long-term operation and maintenance of a critical water service pipeline, crossing the Sultan River in the immediate vicinity of its Jackson Project Powerhouse, Lake Chaplain Return Line and high-pressure penstock facilities, the District requires that it be able to exercise complete control over the design, construction, maintenance, repair and replacement of such pipeline facility within such vicinity (subject to the reasonable review of the City) and that such pipeline be constructed of a size and design to minimize the likelihood of any future related stream crossing or construction disturbances occurring within the vicinity. The District agrees to be responsible for and to pay the costs of all future ordinary maintenance and repair of the water pipeline and river crossing, from the point of attachment of such pipeline to the City of Everett No. 5 Pipeline, extending to the point at which the District's Jackson Project Powerhouse access road turns eastward to joint 116th Street SE, and for any relocation of such water supply pipeline made necessary as a result of any improvements the District makes to the Jackson Project Powerhouse or penstock facility.
- D. Based upon the facts described in the immediately-preceding paragraph, the Parties agree that construction specifications shall require installation of a sixteen-inch pipeline from the tap into the City Of Everett No. 5 Pipeline, extending from such point, southerly to the vicinity of the Jackson Project Powerhouse, then crossing the Sultan River and proceeding easterly and then southerly, generally following the Jackson Project Powerhouse access road, to the point at which such pipeline is attached to the City's existing ten-inch DI water main.

- E. The Parties recognize that any delay of the proposed Project will result in the risk of higher cost and shortage of water supplies for the City, and that District participation will avoid the need for a duplicate installation or upsizing of the facility, and the need for a second stream crossing should the District desire to utilize the facility at some point in the foreseeable future.
- F. A fundamental incentive for the Parties to enter into this Agreement is their commitment to cooperate toward regional solutions for long-range water supply needs through the year 2020.

2. INTENT

- A. The general intent of the Parties is to cooperatively plan, design, engineer, construct, operate and maintain water transmission pipelines and related facilities as described generally below and in Exhibits A and B (the "Project"), which Exhibits are attached hereto and incorporated herein by this reference, for the long-term benefit of both Parties and their existing and future water service customers.
- B. The specific intent of this Agreement is to delineate the particular responsibilities of each of the Parties in order to accomplish their general intent expressed above, to allocate the ownership and capacity of the pipeline facility to the Parties, and to provide a framework for future cooperative operations and use of the facility.

3. PROJECT GENERAL DESCRIPTION

- A. "Phase 1 "of the Project shall consist of attachment of a sixteen-inch ductile iron ("DI") water main and "master meter" (such meter to be owned by the City of Everett following installation) to the City of Everett No. 5 Water Supply Pipeline, at a point approximately 1,500 feet NNW of the District's Jackson Project Powerhouse, as shown on Exhibit A; underground installation of such water main approximately 6,000 linear feet along a route to be determined (utilizing where possible existing easements owned by the District); installation of a sixteen-inch pipeline segment and steel truss bridge crossing the Sultan River at a point in the vicinity of and upstream from the Jackson Project Powerhouse; and extension of the sixteen-inch DI main from the river crossing easterly to the Jackson Project Powerhouse access road, then following such access road southerly to the point at which such sixteen-inch pipe may be attached to the City's existing ten-inch DI water main; Phase 1 also includes installation of the road crossing, attachment to the City's ten-inch DI water main, and extension of approximately 3,500 feet of twelve-inch DI water main from the terminus of the sixteen-inch main, southerly to a point to be determined in the vicinity of the junction of the Jackson Project Powerhouse access road and 16th Street SE, all as depicted in Exhibit A.

- B. "Phase 2" of the Project shall consist of construction of approximately 3,500 linear feet of twelve-inch ductile iron water main from the point of attachment to the Phase 1 pipeline, extending generally southward and parallel to the City's existing ten-inch DI pipeline, and ending at the City's water treatment plant and water storage reservoirs. "Phase 2" of the Project shall be as described more particularly in Exhibit A.
- C. Both the Phase 1 and Phase 2 portions of the Project may include installation of one or more vaults, a "reducer" and "tee," valves, and other incidental facilities to be determined at the time of the final design. All costs arising from inclusion of such items in the Project shall be added to the Project cost described in Section 9 below.
- D. The "Project" shall include both Phase 1 and Phase 2 segments as described above, and shall further include, but not be limited to, all engineering, permits, mitigation measures, contract administration for construction, Project inspection and oversight, and all other activities and work reasonably necessary to complete installation of the water pipeline facilities and appurtenances described in the approved plans and drawings, including the Sultan River crossing. Provided, however, the City's payment responsibility for the Sultan River crossing shall be limited as described in Section 4 and 5 below.

4. PROJECT DESIGN, PERMITS, CONTRACT ADMINISTRATION AND CONSTRUCTION: PAYMENT OF COSTS, AND TERMS OF PAYMENT

- A. The District shall provide design and construction engineering for both Phase 1 and Phase 2 of the Project, subject to the reasonable review and approval of the City. The District also shall develop plans and specifications ready for construction, and construction cost estimates for both Phase 1 and Phase 2 of the Project. The Parties shall agree upon the detailed scope of work for the Project and the plans and specifications shall be subject to approval of the City before any contract for construction is advertised. The preliminary scope of work for Phase 1 and Phase 2 of the Project shall be as described in Exhibit B.
- B. In consideration of the District's agreement to design and engineer the Project, and to develop construction plans and specifications for the Project, the City shall pay to the District the sum of **Two Hundred Thousand Dollars (\$200,000.00)**, such sum to be paid to the District upon completion of the plans and specifications and approval of same by the City; such approval shall not be unreasonably withheld.
- C. The District shall, to the extent reasonably possible, be responsible to procure all necessary permits and approvals from governmental agencies, and all necessary easements to complete the desired Project, and shall be the "Lead Agency" in

SEPA environmental review. All work performed by District staff in accomplishment of such tasks shall be at the expense of the District, and shall not be a "Project Cost" to be paid by the City.

PROVIDED FURTHER, that:

- 1) Permits shall be obtained on behalf of the District or the City, or both parties, as appropriate or required for Phase 1 or Phase 2 portions of the Project, or for mitigation measures required for Project construction.

Whenever any public agency or circumstance requires that a particular permit or authorization be obtained by or on behalf of the City only, the City shall provide all necessary assistance to the District in procuring such permit or authorization. All costs incurred by the City in assisting the District in procuring the required permit or authorization, shall be Project costs.

- 2) All "external" out-of-pocket costs incurred by the District in obtaining permits or authorization for Project construction, including but not limited to costs of studies; contracts for consultants to assist with permitting; federal and state agency "consultations," biological opinions or habitat conservation plans under the federal Endangered Species Act (16 USC § 1531 et seq.); easements, licenses or compensation for environmental damages, fees and charges levied by governmental agencies (not including the District), and any other matter reasonably necessary to secure required governmental authorization, and all costs of any measures required by any governmental agency for mitigation of Project impacts, shall be "Project Costs."

D. The City agrees to cooperate with the District in completing the necessary environmental review and to be responsive to environmental findings and requirements for Project execution.

E. To accomplish Project construction, the District shall provide all public works contract drafting and preparation, advertisement, bidder evaluation, public works contract award and administration, work inspection and approval, contractor payment and administration of contractor claims. At its discretion, and with the approval of the City, which shall not be unreasonably withheld, the District may enter one or more public works contracts for specific portions of the Project in order to provide economic and efficient administration. All work performed by District staff in accomplishment of such tasks shall be at the expense of the District, and shall not be a "Project Cost" to be paid by the City.

The District shall require of each of its contractors for the Project "Builders Risk Insurance" in a form acceptable to the City and the District, and sufficient to

cover all property losses, which may occur to the Project during construction. Such insurance shall remain in force until the Project is accepted as complete by the City and the District.

Each of the Project contractors shall provide evidence of liability insurance in a form acceptable to the City and the District, in the minimum amount of Five Million Dollars (\$5,000,000).

All insurance provided by the District's contractors shall name the City and the District as additional insureds, and shall contain a 30-day cancellation notice provision.

Each policy of insurance shall be with an insurance company rated as A- or better in the most current "Best's Insurance Guide."

- F. The District shall review all contractor claims and change orders with the City prior to approval or payment. The City shall promptly review any contractor claims and cooperate with the District in resolving such claims. The District shall pay only those contractor claims and change order amounts deemed by it to be reasonable and appropriate. Disagreement between the City and the District regarding payment of any particular claim or amount shall not delay conduct of work or reimbursement of the District for payments made by it under any public works contract executed pursuant hereto.
- G. The District shall contribute toward the costs of the Project the first **Two Hundred Thousand Dollars (\$200,000.00)** in costs billed by the contractor under the Public Works Contract to be entered into by the District and the successful contractor awarded the Project pipeline construction work pursuant to this Agreement. In consideration of such contribution by the District, and all of the other obligations undertaken by the District under this Agreement, and except as specifically provided otherwise in this Agreement, the City shall be responsible for payment or reimbursement of all Project Costs. Any dispute regarding a cost or payment shall be resolved through the Dispute Resolution Process provided herein below, upon completion of Project construction.
- H. The District shall invoice the City monthly, for those costs to be paid or reimbursed by the City under this Agreement, based on actual payments made by the District to the contractor(s), beginning thirty days following award of any contract for construction under this Agreement.

The City shall pay each invoice within forty-five (45) days from the date of such invoice. Amounts remaining unpaid after forty-five (45) days shall be subject to interest at the rate of one percent (1%) per month assessed upon the outstanding unpaid balance due.

- I. Project Costs, if any, which are billed directly to the City, shall be paid directly by the City, in a timely manner.
- J. The District and the City agree that permits, easements, and other rights as may be necessary for construction and operation of the Project across the property, including easements, of either Party, shall be granted for the life of the Project without charge by either Party to the other Party.
- K. The Parties agree to expedite commencement of the Project, with a goal of completion of all construction by October 2001. PROVIDED, HOWEVER, that the District and City acknowledge and agree that the timeliness and assurance of construction permitting and authorization as required for project construction are beyond the reasonable control of either Party; that due to regulatory developments associated with environmental laws, including but not limited to, the federal Endangered Species Act and associated state and local regulation, it is reasonably foreseeable that construction permitting and construction may be delayed for an unknown or indefinite period pending completion of required studies and consultations, project design modifications, permit reviews, mitigation, legal analysis or litigation and other matters. Neither of the Parties shall be in breach of any of its obligations under this Agreement so long as it in good faith makes timely application for any permits and authorization required for construction of the Project, and proceeds reasonably with any consultation, study, analysis or other application or condition for permit approval.

Any prevention, delay or interference with the issuance of necessary permits due to such matters as described in this subsection shall be deemed a "force majeure" so long as the obligated Party acts with due diligence.

- L. In execution of its obligations under this Agreement, and except as expressly provided otherwise herein, the District will follow its usual and customary public works contracting practices, and shall require of its contractor(s) compliance with all applicable laws and regulations, insurance and indemnification conditions consistent with its other contracted work of similar scope and nature, and warranties consistent with standard utility industry practice. The District will require that the City and its' consultants be listed as an additional named insured on any insurance required by the District of its contractors. The City will promptly respond to any requests for review or approval received from the District.

5. PIPELINE CROSSING OF SULTAN RIVER; DISTRICT CONTRIBUTION; PROJECT DELAYS DUE TO PERMITTING

- A. The Sultan River pipeline crossing shall be accomplished by means of installation of a steel truss bridge, with all necessary and appropriate supports and

attachments for carrying and protecting a sixteen-inch water pipeline, and suitable for carrying light motor vehicle and truck traffic in addition to the water pipeline.

- B. In consideration of the independent and immediate value to the District of the construction of the steel truss bridge as a part of the project's Sultan River pipeline crossing, the District agrees to contribute the sum of **One Hundred Thousand Dollars (\$100,000.00)** toward the cost of such bridge. The District's contribution of such sum shall be in the form of payment of the first **One Hundred Thousand Dollars (\$100,000.00)** in costs billed by the contractor under the Public Works Contract to be entered into by the District and the successful contractor awarded the steel truss bridge construction work pursuant to this Agreement.

As further consideration, the District shall, at its own expense, provide all necessary maintenance and repair upon the bridge for its useful life.

- C. The District and the City understand and agree that there exists at the time of contracting a reasonable likelihood that environmental issues may cause a delay in the permitting of the proposed steel truss bridge for the water pipeline, despite their reasonable efforts. In the event of such a delay, the Parties shall proceed with construction of all other portions of the Project, which may be built in the absence of such permits, as near as may be in accordance with the schedule herein provided. In such event, upon the request of the City, the Parties agree that they will, if reasonably feasible from an economic, engineering, and safety standpoint, construct a temporary river crossing, utilizing an existing District conduit beneath the Sultan River, to convey water and to make the Project useable until such time that a bridge-mounted river crossing may be constructed.
- D. The City acknowledges that capacity through such temporary river crossing is limited, and that such use will be considered an emergency measure only, to reduce the risk of water shortage to the City. Any such temporary river crossing shall be in accordance with terms and conditions agreed to by the Parties, and set forth in the form of an Amendment to this Agreement. Use of such temporary river crossing shall not replace the intent of the Parties to accomplish installation of the steel truss bridge crossing at the earliest practicable time.

6. OWNERSHIP AND MAINTENANCE

- A. Upon completion of Project construction, and acceptance of the Project by the Parties, the District shall become sole owner of Phase 1 of the Project (except for the "master meter," which is to be owned by the City of Everett and subject to the City's ownership of Project pipeline capacity as set forth in Section 7A), and shall thereafter be solely responsible, at District cost, for all operation and maintenance of all components of the Phase 1 facilities including, but not limited to, ordinary

maintenance, cleaning and disinfecting, repair, relocation, reconstruction, river crossing maintenance, relocation, repair or reconstruction, and risk of loss, for its useful life.

Upon completion of Project construction, and acceptance of the Project by the Parties, the City shall become sole owner of Phase 2 of the Project (subject to the District's ownership of Project pipeline capacity, as set forth in Section 7A), and shall thereafter be solely responsible, at City cost, for all operation and maintenance of all components of the Phase 2 facilities including, but not limited to, ordinary maintenance, cleaning and disinfecting, repair, relocation, reconstruction, and risk of loss, for its useful life. The District and the City will each prepare a Maintenance and Operations Manual for Phase 1 and Phase 2, respectively. Each will review and approve the other's Manual for consistency.

- B. Each Party, at its own cost, shall fully insure against risk of loss or damage and liability to third Parties its respective portion of the Project, and shall provide to the other Party proof of such insurance coverage upon request. Any insurance proceeds shall first be applied against necessary repairs or replacement in the event of casualty. Either Party may self-insure its primary insurance coverage responsibility under this Agreement, upon demonstration to the other of proof of sufficient ability to do so.
- C. All maintenance and repair by either Party shall be timely and done in accordance with prudent water utility practice. Whenever one of the Parties deems it necessary in its sole judgment to conduct any repair which may require the shut down or dewatering of its portion of the pipeline for any reason, it shall, except in the event of emergency threatening property damage or personal injury, provide reasonable notice to the other Party of such proposed action. Any such work shall be conducted as quickly and with as little impact as reasonably possible under the circumstances. To the extent allowed by law, neither Party shall be liable to the other or to any third party for any damage or loss caused as a result of an emergency repair, or any other repair following reasonable notice.
- D. Each Party shall at the reasonable request of the other, execute a bill of sale or other document confirming the division of title to the Project facilities as described herein.
- E. Any Party failing to reasonably and prudently maintain or repair its portion of the Project in a timely manner in order to keep the Project fully functional and reliable for the benefit of both Parties shall be liable for the reasonable cost of repairs performed by the other Party on the failing Party's behalf. Each Party shall have the right and license, after giving reasonable notice under the circumstances and receiving no timely or adequate response, to enter upon the property of the other to accomplish any necessary emergency repairs, but shall coordinate with the other regarding such emergency repairs. PROVIDED, that in

no event shall such repairs be undertaken without prior adequate provision for public and worker safety. Any disputes regarding maintenance or repairs shall be resolved utilizing the Dispute Resolution Process provided in Section 13 below.

F. Notwithstanding anything else to the contrary in this Agreement:

- 1) Replacement of any portion of the Project pipeline at the end of its service life shall be a cost shared by the Parties proportionately based upon ownership of capacity, to be determined as of the time of replacement.
- 2) Replacement of the steel truss bridge at the end of its service life shall be a cost shared equally by the Parties, except as may otherwise be expressly agreed to in writing by the Parties.

7. WATER SUPPLY-CAPACITY OWNERSHIP

- A. The City and the District agree that the District does not presently require the water service capacity represented by the Project pipeline, and that the District may not utilize its proportionate share of the Project capacity for a period of years following completion. The Parties mutually agree that immediate District participation in the Project with regard to design, construction contribution, engineering, contract administration, construction oversight, immediate operation and maintenance responsibility, and acceptance of risks attendant with construction, maintenance and use of a water service pipeline extending across, under and through the District's Jackson Hydroelectric Project facilities provides valuable consideration equal to the value of the Project pipeline capacity to be owned by it hereunder. Total Project pipeline capacity is estimated to range from approximately 3.89 to 5.76 million gallons per day (MGD). The capacity available to each Party at any time shall be equal to that Party's ownership percentage share of the total Project pipeline capacity available at that time. It is understood that until the District commences use of the Project pipeline (other than occasional, temporary minor water withdrawals from a pipeline hydrant by the District for Jackson project purposes), the City shall have the authority to utilize the District's share of the pipeline's capacity. The City shall own 66.7% of the pipeline capacity of the Project. The District shall own 33.3% of the pipeline capacity of the Project.
- B. Either one of the Parties may assign its rights under this Agreement to another person at any time, subject to the reasonable approval of the other Party; however, such assignment shall in no manner relieve the assigning Party of any of its obligations hereunder, except as otherwise specifically agreed by the Parties in the form of a written Amendment to this Agreement.
- C. Unless the Parties agree otherwise in writing to negotiate with the City of Everett for a regional wholesale water contract rate, each of the Parties shall negotiate its

own respective contract with the City of Everett for its wholesale purchase of water through the Project pipeline, and be severally responsible to pay for its own water use. The attachment to the City of Everett No. 5 Pipeline will include a meter to record deliveries of water through the Project pipeline; any expense associated with maintenance of such meter shall be the City of Everett's responsibility. At such time as the District commences use of the Project pipeline to receive water, it will install, at its own expense, a meter and appurtenances at the point of connection of its water distribution system to the Project pipeline or to the City's distribution system.

- D. This Agreement shall have no impact upon the respective approved water service areas of the Parties.
- E. Neither one of the Parties shall guarantee service to the other by means of the Project pipeline, provided that each of the Parties agrees to exercise due care in carrying out its obligations under this Agreement. Except to the extent it has by act or omission impacted the quality of the City of Everett water delivered through the Project pipeline, neither one of the Parties shall guarantee its quality as delivered to the other.
- F. Neither one of the Parties shall charge the other at any time for the privilege of transporting, or "wheeling," water through any part of the Project pipeline. This charging prohibition shall also apply to assignees of the Parties. The City, however, may levy and collect from the District a reasonable charge for the District's use of the City's water distribution system to "wheel" water should such use occur in the future. Authorization for the District to "wheel" its water through the City's distribution system shall not be unreasonably denied. Any improvements reasonably required of the City's water distribution system to accommodate use by the District shall be at the District's sole expense unless agreed to in writing by the Parties.
- G. During such time that the City is the sole user of water through the Project pipeline (other than occasional, temporary minor water withdrawals from a pipeline hydrant by the District for Jackson Project purposes), the City shall be responsible for all Project pipeline flushing activities and expenses.

8. TIME OF THE ESSENCE

- A. The Parties agree to act in good faith to conduct their actions under this contract to assist one another in completion of the Project by October 2001 subject, however, to the conditions described in Sections 4K and 5C above; and they agree to seek all reasonable and lawful means to expedite completion in accordance within the desired completion date. Accordingly, the Parties agree that time is of

the essence in the performance of activities agreed and contemplated under this Agreement, except as provided otherwise herein.

9. CONSTRUCTION COST OVER-RUNS/ COST SAVINGS: SHARING

- A. Except as specifically provided otherwise in this Agreement, the City is responsible for all Project construction costs. The Parties agree that the estimated cost of the Project at the time of execution of this Agreement (excluding any specific design, engineering, contract administration and other matters, as described above, for which the District is expressly responsible, but including the District's combined total \$300,000 payment in contribution towards construction costs, as described in Sections 4 and 5, above,) is \$1,400,000. Following the statutory competitive bidding process required of public utility districts, the District will award Project construction work to the lowest responsible bidder(s) meeting the published plans and specifications. Upon award of the bid(s) for Project construction, the Parties shall amend this Agreement to establish a "Final Estimated Project Construction Cost," to reflect the selected contractor's or contractors' actual bid amount(s), including any separate bid amount for the river crossing bridge described in Section 5 above, and any other separate bid items.
- B. Because the District is responsible under this Agreement for preparation of specifications and contract documents, and for effective oversight of construction in order to minimize costs and keep them predictable, the Parties agree that the District should receive a reasonable share of the benefit of efficient execution of its obligations hereunder, and also that the District should bear a reasonable share of the burden of cost overruns exceeding a specified level.

Should the actual, final invoiced cost of the Project, after resolution of all claims of either the contractors or the Parties, exceed by more than 5% the final estimated Project cost, as described above in this Section, the District shall contribute 33% of such excess cost over the estimated Project cost.

- C. Should the actual, final invoiced cost of the Project, after resolution of all claims of either the contractors or the District, be less than 95% the final estimated Project cost, as described above in this section, the District shall be paid by the City 33% of any savings making such cost less than 95% of such estimate.
- D. Any payment made under this section shall be issued not later than sixty days following determination of the actual, final invoiced cost of the Project.

10. INDEMNIFICATION

- A. The District hereby indemnifies and agrees to hold harmless and release the City and its officials, officers, employees and agents and each of the heirs, personal representatives, successors and assigns of any of the foregoing from and against

any and all losses, claims, damages, costs, demands, fines, judgments, penalties, obligations, payments and liabilities, together with any reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and out-of-pocket expenses and reasonable costs and expenses of investigation) incurred in connection with any of the foregoing, resulting from, relating to or arising out of or in connection with (i) any failure of the District duly to perform or observe any term, provision, covenant, agreement or condition hereunder to be performed or observed by or on behalf of the District or (ii) any negligence or intentional misconduct of the District. The District hereby specifically and expressly waives any and all immunity of the District under industrial insurance, Title 51 RCW, and agrees that the Parties mutually negotiated the foregoing waiver. Further, the indemnification obligations of the District under this Agreement shall not be limited in any way by insurance or any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under workers' compensation acts, disability benefits acts or other employee benefits acts; provided, however, that the District's waiver of immunity by the provisions of this section extends only to claims against the District by the City and does not include, or extend to, any claims by the District's employees directly against the District.

- B. The City hereby indemnifies and agrees to hold harmless and release the District and its elected and other officials, officers, employees, and agents and each of the heirs, personal representatives, successors and assigns of any of the foregoing from and against any and all losses, claims, damages, costs, demands, fines, judgments, penalties, obligations, payments, and liabilities, together with any reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and out-of-pocket expenses and reasonable costs and expenses of investigation) incurred in connection with any of the foregoing, resulting from, relating to or arising out of or in connection with (i) any failure of the City duly to perform or observe any term, provision, covenant, agreement or condition hereunder to be performed or observed by or on behalf of the City or (ii) any negligence or intentional misconduct of the City. The City hereby specifically and expressly waives any and all immunity of the City under industrial insurance, Title 51 RCW, and agrees that the Parties mutually negotiated the foregoing waiver. Further, the indemnification obligations of the City under this Agreement shall not be limited in any way by insurance or any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under workers' compensation acts, disability benefits acts or other employee benefits acts; provided, however, that the City's waiver of immunity by the provisions of this section extends only to claims against the City by the District and does not include, or extend to, any claims by the City's employees directly against the City.

- C. With respect to any portions of this Agreement subject to RCW 4.24.115 in the event of any concurrent negligence on the part of the District and the City, the indemnification obligations of the indemnitor under this Agreement shall be valid and enforceable only to the extent of the negligence of the indemnitor.
- D. Notwithstanding any other provision of this Agreement, neither the District nor the City shall be liable under or pursuant to this Agreement for indirect, incidental, special, exemplary or consequential damages, including but not limited to damages for lost profits or benefits, even if such Party has been advised of the possibility or existence of such damages.
- E. Notwithstanding any other provision of this Agreement, in no event shall either Party have any responsibility or liability whatsoever for or with respect to any claim by or on behalf of any retail customer of the other Party relating to water service provided by such other Party within its retail water service area.
- F. Notwithstanding any other provision of this Agreement, in the event any lawsuit or other claim is made against either Party or both, arising from the act or omission of either, the Parties agree that they will cooperate in the settlement or litigation of such claim by asserting mutual defenses without waiving or compromising potential claims against each other. In the event such claim or litigation exposes the Parties to joint and several liability, either Party may seek dismissal by motion prior to, during, or after trial, but neither Party shall make any claim of indemnity or contribution or seek any relief against the other in such litigation until completion of such litigation and entry of final judgment of joint and several liability. Following final judgment, either Party shall have the right to seek mediation and binding arbitration of the issue of comparative liability and contribution to the satisfaction of the judgment on the basis of standard rules of comparative fault in the State of Washington. The award granted shall include reasonable allocation of costs and attorneys fees and interest on any portion of any judgment paid by one Party on behalf of the other at the prevailing rate for investments within the state pool.

11. NOTICES AND OTHER COMMUNICATIONS

- A. Any notice required or permitted to be given under or pursuant to this Agreement shall be in writing and shall be delivered to the intended recipient Party either in person or by United States mail at its address set forth below. Notices delivered in person shall be effective upon delivery. Notices sent by mail shall be effective on the third day after mailing.

If to the District:

Public Utility District No. 1 of Snohomish County, Washington
2320 California Street
P.O. Box 1107
Everett, WA 98206
Attn: Mark Spahr
Tel. (425) 783-8601
FAX (425) 783-8222

If to the City

City of Sultan
703 First Street
Sultan, WA 98294
Attn: Laura Koenig, City Clerk
Tel. (360) 793-2231
FAX (360) 793-3344

- B. Either Party may change the address to which notices should be sent by giving notice of such change in accordance with the requirements of Section 11A.

12. RELATIONSHIP OF THE PARTIES

- A. This Agreement describes the entire relationship of the Parties with regard to the subject matter herein concerned. Except as maybe explicitly provided otherwise herein, the Parties are independent contractors and shall not be deemed to be partners, joint ventures, principals, or agents of each other for any purpose whatsoever. Each Party shall have and maintain sole and complete control over all of its employees, agents, and operations. Except as may otherwise be explicitly provided herein, or in separate agreement, each and all of the obligations, responsibilities, and liabilities of the Parties under and in connection with this Agreement are several, and not joint, and no separate legal or administrative entity will be created to fulfill the purposes of this Agreement.

While the District shall be obligated to pay the Project construction contractor(s) for all work it duly performs; the City shall incur no obligation with regard to such contractor under any agreement the District enters with any contractor.

13. DISPUTE RESOLUTION

- A. Any dispute under or in connection with this Agreement may, upon the mutual agreement of the Parties be submitted for resolution by mediation or binding arbitration. Disputes not resolved in such manner shall be resolved in Superior Court for Snohomish County, Washington. The prevailing Party in any dispute, which is resolved through mediation, arbitration, or litigation, shall be entitled to reasonable attorney fees and costs.

14. MISCELLANEOUS

A. Integration Clause

This Agreement, together with Exhibits A and B, sets forth the entire Agreement of the Parties and supersedes any and all prior agreements with respect to the subject matter of this Agreement. The rights and obligations of the Parties hereunder shall be subject to and governed by this Agreement. The headings used herein are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

B. No Third Party Beneficiaries

Except as expressly set forth in this Agreement, none of the provisions of this Agreement shall inure to the benefit of or be enforceable by any third party.

C. Waivers

Except as otherwise provided herein or as agreed by the parties, no provision of this Agreement may be waived except as documented or confirmed in writing. Any waiver at any time by a Party of its right with respect to default under this Agreement, or with respect to any other matter arising in connection therewith, shall not be deemed a waiver with respect to any subsequent default or matter. Either Party may waive any notice or agree to accept a shorter notice than specified in this Agreement. Such waiver of notice or acceptance of shorter notice by a Party at any time regarding a notice shall not be considered a waiver with respect to any subsequent notice required under this Agreement.

D. Invalid Provision

The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

E. Amendment

No change, amendment, or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both Parties. It is stipulated that any Amendment or series of Amendments to this Agreement for a total amount, or having an estimated total financial impact of not to exceed **Five Hundred Thousand Dollars (\$500,000.00)** may be executed and approved by the Parties' respective general manager and mayor, with a report of such action thereafter to each Party's governing body.

F. Assignment and Subcontracts; Binding Agreement

Neither Party may assign this Agreement, or assign or subcontract all or any part of such Party's rights or obligations under this Agreement, without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Without in any way limiting the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

G. Further Assurances

Each Party hereto covenants and agrees to do all things necessary or advisable, including but not limited to the preparation, execution, delivery and recording of any instruments or agreements, in order to confirm and better assure the intent and purposes of this Agreement.

H. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

I. Signature Clause

Each of the undersigned signatories represents and warrants that he or she has all necessary and proper authorization to execute and deliver this Agreement on behalf of the Party on behalf of which he or she is signing.

J. Governing law; Venue

This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The Parties (i) agree that any lawsuit or judicial action or proceeding arising out of or relating to this Agreement must be heard in the Superior Court of the State of Washington in and for Snohomish County; (ii) waive any objection to the laying of the venue of any such suit, action or proceeding; (iii) irrevocably submit to the jurisdiction of any such court in any such suit, action or proceeding; and (iv) consent to service of process by mail in respect of any such suit, action or proceeding.

K. Rule of Construction

No provision of the Agreement shall be construed in favor of or against either of the Parties hereto by reason of the extent to which any such Party or its counsel participated in the drafting thereof or by reason of the extent to which such provision or any other provision or provisions of this Agreement is or are inconsistent with any prior draft thereof.

L. Force Majeure

A "Force Majeure" shall be an occurrence which prevents, delays, or interferes with the performance of work on or for the Project, including but not limited to a strike, lockout, change in governmental law or regulation, riot, insurrection, war, sabotage, fire, flood or natural disaster, and which does not proximately result from the misconduct, negligence or failure to exercise reasonable care of the Party claiming to have been affected by the Force Majeure. A Party shall not be in breach of this Agreement as a result of such Party's failure to perform its obligations under this Agreement when such failure is caused by a Force Majeure which such Party, despite the exercise of due diligence, is unable to remove with reasonable dispatch; provided, however, that nothing in this Agreement shall be construed to require either Party to settle any strike or labor dispute in which it may be involved.

M. Definitions

Unless otherwise required by the text of this Agreement, all technical terms contained herein shall have the meaning ordinarily assigned to them in the water utility field.

N. Recording; submission to State Government

This Agreement shall be recorded in the office of the Snohomish County Auditor and this Agreement shall be submitted to any officer or agency of the state government that has constitutional or statutory powers of control over the provision of services or facilities that are the subject of this Agreement.

15. AUDIT RIGHTS

- A. The City, upon reasonable notice to the District, shall have the right during this Agreement and for two years hereafter to inspect the records of the District pertaining to this Agreement and expenditures made hereunder for any part of the Project and to perform and audit in accordance with generally accepted audit

standards. The District shall make such records available without charge to the City, during its regular business hours.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

By: Paul Elias
Its: General Manager

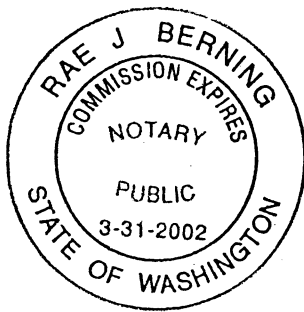
STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

I certify that I know or has satisfactory evidence that Paul Elias is the person who appeared before me and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the General Manager of PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, a municipal corporation, to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

Dated this 25th day of April, 2000.

Rae J. Berning
(Signature of Notary)

RAE J. BERNING
(Legibly Print or Stamp Name of Notary)



Notary Public in and for the state of Washington, residing at Mapleville, WA. My appointment expires 3-31-2002.

THE CITY OF SULTAN, WASHINGTON

By: _____

Its: _____

STATE OF WASHINGTON)

) ss.

COUNTY OF SNOHOMISH)

I certify that I know or has satisfactory evidence that C. H. ROWE is the person who appeared before me and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the MAYOR of the CITY OF SULTAN, a municipal corporation, to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

Dated this ____ day of April, 2000.

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary Public in and for the state of Washington, residing at _____.

My appointment expires _____.

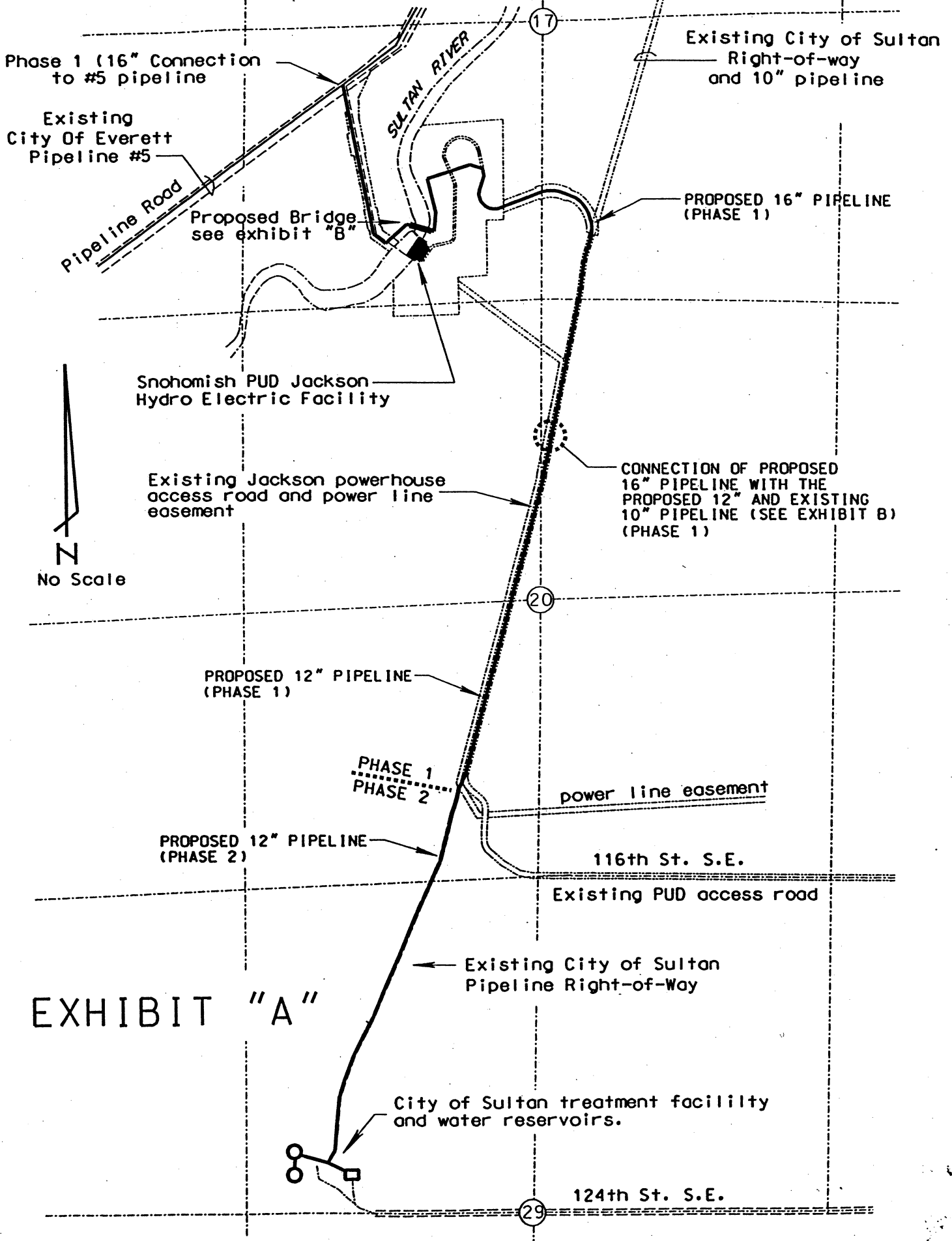


EXHIBIT "A"

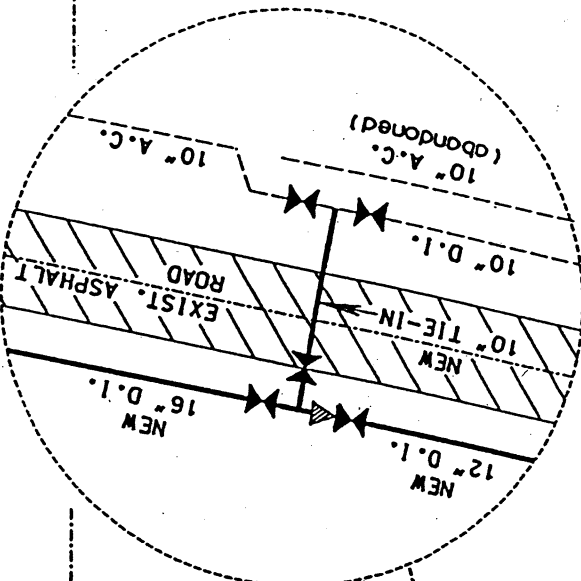
SEC. 17, 20, T28N, R8E, W.M.

17

Existing City of Sultan
Right-of-way
and 10" pipeline

PROPOSED 16" PIPELINE
(PHASE 1)

N
NO SCALE



CONNECTION DETAIL
(PHASE 1)

Phase 1 (16" Connection
to #5 pipeline

Pipeline Road

Existing
City Of Everett
Pipeline #5

PROPOSED
BRIDGE
CROSSING

SULTAN
RIVER

Snohomish PUD Jackson
Hydro Electric Facility

Existing access road,
power line, and City of
Sultan pipeline r/w

PROPOSED 12" PIPELINE
(PHASE 1)

EXHIBIT B
SCOPE OF WORK
PHASE I and II
SULTAN/SKYKOMISH WATER SUPPLY PIPELINE

The Services to be provided by the Snohomish County PUD, include:

1. Prepare a base map of the Project alignment, tasks include ground pre-marking, aerial mapping, surveying and CAD work.
2. Research and acquire easements as needed (Provided, that at its own cost Sultan shall document, and provide easements for Phase II).
3. Identify wetlands, sensitive areas, 100-year floodplain, and other physical features that affect permits and Project design.
4. Complete and submit SEPA checklist, and submit applications for and secure the shoreline permit, and other permits as may be required. Review the project with agencies having jurisdiction.
5. Meet with representatives of Sultan as required to discuss design features, location of existing pipelines, control features, easements, schedule, and other issues as may be required.
6. Secure consultants and specialists as may be required, including geotechnical, surveying, structural, SCADA, wetlands, and fisheries.
7. Coordinate with City of Everett for placement and construction of a tap on 5 line to supply the Project.
8. Complete engineering design of the Project including plans and specifications, contract documents, engineer's estimate, and bid documents. Review the design with Sultan prior to advertising for bids.
9. Advertise for bids, open, evaluate and following consultation with Sultan, award contract(s).
10. Provide field engineering, field surveying and contract administration services during construction, including inspection, payment requests, consideration, and negotiation of claims and change orders, testing and final acceptance.
11. Revise the design drawings to conform with construction as-built records, inspection reports, materials submittals, and other information for both Phase 1 and Phase 2 Projects.
12. Confirm that all contractors and subcontractors have been paid and all disputes settled.
13. Address warranty issues that may arise.

14. Prepare an Operations and Maintenance Manual for Phase 1 and review City's Operations and Maintenance Manual for Phase 2.
15. Participate in the start-up and testing of the facilities.
16. Provide hard and digital copies, when appropriate, of work product including aerial mapping, easements obtained, permits, specifications, and design and as built drawings.
17. Perform such other tasks as are reasonably necessary and appropriate to accomplish and the general purpose of the Agreement between the Parties and to carry out those obligations assigned to the District therein.

RESOLUTION NO. 5028

A RESOLUTION Revising the District's Rates for Water Utility Service.

WHEREAS, on December 21, 1999 the Board of Commissioners of Public Utility District No. 1 of Snohomish County adopted changes to certain Water Utility rates, and the Commission now finds that such rates are in need of further revision; and

WHEREAS, the District has full and exclusive authority under RCW 54.16.030 to regulate and control the use, distribution, and price of its Water Utility services, and has the power and obligation under RCW 54.24.080 to establish, maintain, and collect rates or charges for water and other services supplied by the District which shall be fair, nondiscriminatory, and adequate to provide revenues sufficient for payment of its lawful obligations, to fund its planned improvements, and to provide quality water service to its existing and new water service customers; and

WHEREAS, at a public hearing held on December 18, 2001, the Commission reviewed the Water Utility's projected plans and revenue needs and the proposed Water Utility rates, and provided District water service customers the opportunity to comment thereon, and the Commission has considered the information and comments provided at such hearing; and

WHEREAS, Resolution No. 4848-J delegated to the District's General Manager broad authority to establish certain policies and regulations relating to water service, but reserved in the District's Commission the authority to establish the general terms, conditions, and policies for water service provided by the District as set forth in Section 2; and the rates, charges, and fees set forth in Appendix B of the District's Policies and Procedures Manual for Administration for Water Services, as it may be amended from time to time; and

WHEREAS, the Commission finds that the proposed revision of the District's Water Utility rates is reasonable and proper and in the best interests of the District and its customers;

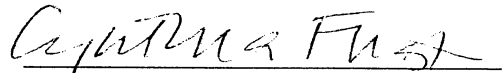
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, as follows:

Section 1. The District's rates for Water Utility service shall be revised as described in Exhibit "B" which Exhibit is attached hereto and incorporated herein by this reference.

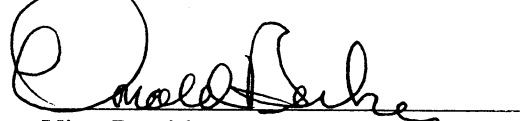
Section 2. The rate revision hereby imposed shall become effective for the services described in such schedules, beginning on January 1, 2002, and shall include each of the respective annual adjustments as provided in the attached Exhibits, and shall be and remain in effect for the entire period beginning January 1, 2002, and thereafter until further revised. All water consumption prior to and including December 31, 2001 shall be billed at the rates in effect prior to such date. In preparing customer bills to implement this resolution on January 1, 2002, the District shall prorate such bills as if water consumption occurred at a constant rate during the billing period.

Section 3. Except as provided here, and in Resolution No. 5029, adopted on this date, and relating to District water service charges, Resolution Nos. 4848-J and 4860 shall remain in full force and effect.

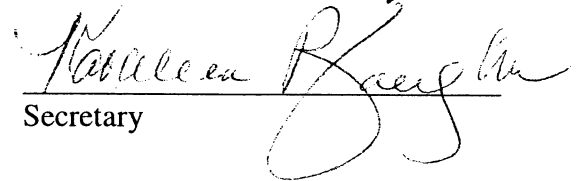
PASSED AND APPROVED this 18th day of December, 2001.



President



Vice-President



Secretary

**WATER UTILITY PROPOSED RATE CHANGES
OPTION 2**

**“BALANCED GOING FORWARD” OPTION
(Proposed Effective January 1, 2002)**

Under our current rate structure, a monthly water bill for an average household using 1,000 cubic feet per month is \$21.15. Under the “Balanced Going Forward” scenario, an average household’s monthly water bill would increase to \$22.15 in 2002; \$23.45 in 2003; \$24.60 in 2004; and \$25.60 in 2005.

| | Current Rate | 2002 | 2003 | 2004 | 2005 |
|--|-----------------|--------|--------|--------|--------|
| SCHEDULE 11 – General Single Family Residential | | | | | |
| Monthly Min. Charge | \$7.95 | \$8.35 | \$8.85 | \$9.30 | \$9.70 |
| Commodity Rate (per 100 cu ft) | 1.32 | 1.38 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 12 – General Multi-Family Residential | | | | | |
| Monthly Min. Charge for First Bldg. Unit | 7.92 | 8.35 | 8.85 | 9.30 | 9.70 |
| Add per Addl Bldg Units | .22 | .00 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.27 | 1.38 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 13 – General Commercial/Industrial | | | | | |
| Monthly Min. Charge for First Bldg Unit | 11.77 | 12.36 | 13.10 | 13.76 | 14.31 |
| Add per Addl Bldg Units | 4.06 | .00 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.26 | 1.38 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 14 - Lake Connor Park | | | | | |
| Monthly Min. Charge | 30.78 | 32.32 | 34.26 | 35.97 | 37.41 |
| Commodity Rate (per 100 cu ft) | 1.33 | 1.38 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 15 - May Creek Single Family Residential | | | | | |
| Monthly Min. Charge | 7.95 | 8.35 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.32 | 1.38 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 16 - Lake Roesiger Single Family Residential | | | | | |
| Monthly Min. Charge | 7.95 | 8.35 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.32 | 1.38 | 1.46 | 1.53 | 1.59 |
| Septic tank pumping (per 100 cu ft) | .84 | .84 | .84 | .84 | .84 |

| | 2002 | 2003 | 2004 | 2005 |
|---|-------|-------|-------|-------|
| SCHEDULE 17 – Lake Roesiger Multi-Family | | | | |
| Monthly Min. Charge for First Bldg. Unit | 7.92 | 8.35 | 9.30 | 9.70 |
| Add per Addl Bldg Units | .22 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.27 | 1.38 | 1.53 | 1.59 |
| Septic tank pumping (per 100 cu ft) | .84 | .84 | .84 | .84 |
| SCHEDULE 18 – Lake Roesiger Commercial/Industrial | | | | |
| Monthly Min. Charge for First Bldg. Unit | 11.77 | 12.36 | 13.76 | 14.31 |
| Add per Addl Bldg. Units | 4.06 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.26 | 1.38 | 1.53 | 1.59 |
| Septic tank pumping (per 100 cu ft) | .84 | .84 | .84 | .84 |
| SCHEDULE 19 - Skylite Tracts - Single Family Residential | | | | |
| Monthly Min. Charge | 7.95 | 8.35 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.32 | 1.38 | 1.53 | 1.59 |
| SCHEDULE 39 – Dutch Hill – Multi-Family | | | | |
| Monthly Min. Charge for First Bldg. Unit | 7.92 | 8.35 | 9.30 | 9.70 |
| Add per Addl Bldg Units | .22 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.27 | 1.38 | 1.53 | 1.59 |
| SCHEDULE 40 - Dutch Hill - Single Family Residential | | | | |
| Monthly Min. Charge | 7.95 | 8.35 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.32 | 1.38 | 1.53 | 1.59 |
| SCHEDULE 41 - Dutch Hill - Commercial/Industrial | | | | |
| Monthly Min. Charge for First Bldg Unit | 11.77 | 12.36 | 13.76 | 14.31 |
| Add per Addl Bldg Units: | 4.06 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.26 | 1.38 | 1.53 | 1.59 |
| SCHEDULE 42 - Pilchuck 10 – Single Family Residential | | | | |
| Monthly Min. Charge | 7.95 | 8.35 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.32 | 1.38 | 1.53 | 1.59 |
| SCHEDULE 43 - Sunday Lake – Single Family Residential | | | | |
| Monthly Min. Charge | 7.95 | 8.35 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.32 | 1.38 | 1.53 | 1.59 |

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-------------|-------------|-------------|-------------|
| SCHEDULE 44 - Blue Spruce - Single Family Residential | | | | |
| Monthly Min. Charge | 8.35 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.38 | 1.46 | 1.53 | 1.59 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 45 - Cedar Lane - Single Family Residential | | | | |
| Monthly Min. Charge | 8.35 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.38 | 1.46 | 1.53 | 1.59 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 47 - Dubuque - Single Family Residential | | | | |
| Monthly Min. Charge | 8.35 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.38 | 1.46 | 1.53 | 1.59 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 48 - Booster Facilities | | | | |
| Monthly Min. Charge | 9.35 | 9.85 | 10.30 | 10.70 |
| Commodity Rate (per 100 cu ft) | 1.38 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 49 - Kla-ha-ya Water System - Single Family Residential | | | | |
| Monthly Min. Charge (Move to Schedule 11 when connection to System WITH A SURCHARGE to be determined). | 50.00 | 50.00 | 50.00 | 50.00 |
| SCHEDULE 51 - Storm Lake Ridge - Single Family Residential | | | | |
| Monthly Min. Charge | 8.35 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft) | 1.38 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 52 - May Creek - Multi-Family | | | | |
| Monthly Min. Charge | 8.35 | 8.85 | 9.30 | 9.670 |
| Add per Addl Bldg Units | .00 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.38 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 53 - May Creek - Commercial/Industrial | | | | |
| Monthly Min. Charge for First Bldg. Unit | 12.36 | 13.10 | 13.76 | 14.31 |
| Add per Addl Bldg Units: | .00 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.38 | 1.46 | 1.53 | 1.59 |

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-------------|-------------|-------------|-------------|
| SCHEDULE 54 – Two Twelve Market - Commercial/Industrial | | | | |
| Monthly Min. Charge for First Bldg. Unit | 11.77 | 13.10 | 13.76 | 14.31 |
| Add per Addl Bldg Units: | 4.06 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.26 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 55 – Butterfield System – Single Family Residential | | | | |
| Monthly Min. Charge | 7.95 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft). | 1.32 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 56 – Dubuque - Multi-Family | | | | |
| Monthly Min. Charge | 7.92 | 8.85 | 9.30 | 9.70 |
| Add per Addl Bldg Units | .22 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.27 | 1.46 | 1.53 | 1.59 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 57 – Machias Ridge East – Single Family Residential | | | | |
| Monthly Min. Charge | 7.95 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft). | 1.32 | 1.46 | 1.53 | 1.59 |
| Surcharge | 31.19 | 31.19 | 31.19 | 31.19 |
| SCHEDULE 58 – Otis System – Single Family Residential | | | | |
| Monthly Min. Charge | 7.95 | 8.85 | 9.30 | 9.70 |
| Commodity Rate (per 100 cu ft). | 1.32 | 1.46 | 1.53 | 1.59 |
| SCHEDULE 59 – Dutch Hill – Multi-Family | | | | |
| Monthly Min. Charge | 7.92 | 8.85 | 9.30 | 9.70 |
| Add per Addl Bldg Units | .22 | .00 | .00 | .00 |
| Commodity Rate (per 100 cu ft) | 1.27 | 1.46 | 1.53 | 1.59 |

RESOLUTION NO. 5029

A RESOLUTION Amending and Adopting District Water
Utility Policies and Service Charges.

WHEREAS, Public Utility District No. 1 of Snohomish County, Washington (the "District") continues to experience rapid and substantial growth in its Water Utility System and its customer base due to expanding county population and development; and

WHEREAS, the District has, from time to time, adopted and amended its Water System Plans for the construction of improvements to its water system to accommodate anticipated increasing demands for water service due to such population growth and development; and

WHEREAS, the District has full and exclusive authority under RCW 54.16.030 to regulate and control the use, distribution, and price of its water utility services, and has the power and obligation under RCW 54.24.080, to establish, maintain, and collect rates or charges for water and other services supplied by the District which shall be fair, nondiscriminatory, and adequate to provide revenues sufficient for payment of its lawful obligations to fund its planned improvements, and to provide quality water service to its existing and new water service customers; and

WHEREAS, the District held a public hearing on December 18, 2001, to review the Water Utility's projected plans and revenue needs and the proposed Water Utility charges, and to provide District water service customers opportunity to comment thereon, and the Commission has considered the information and comments provided at such hearing; and

WHEREAS, Resolution No. 4848-J delegated to the District's General Manager broad authority to establish certain policies and regulations relating to water service, but reserved in the District's Commission the authority to establish the general terms, conditions, and policies for water service provided by the District as set forth in Section 2; and the rates, charges, and fees set forth in Appendix B of the District's Policies and Procedures Manual for Administration for Water Services, as it may be amended from time to time; and

WHEREAS, the Commission finds that it is appropriate that the District's new water service customers contribute to the cost of water system improvements necessary to accommodate their attachment to and beneficial use of the District's water system; and

WHEREAS, the Commission finds the proposed revision to the District's schedules of charges is reasonable and appropriate, and is consistent with the District's 1995 Water System Plan, as amended, and in the best interests of the District and its customers.

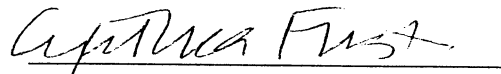
NOW, THEREFORE BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, as follows:

Section 1. Effective March 1, 2002, the District's Water Utility System Service Charges shall be determined and administered in accordance with Exhibit "B," further that Tables B-1, B-2, B-3, B-4, B-5a, and B-5b, of the Policies and Procedures Manual for Administration of Water Services shall be updated in accordance with Exhibit "B" and incorporated herein by this reference.

Section 2. Each of the respective Water Utility System Charges, as described and imposed within the attached Exhibit shall be subject to automatic annual adjustment, based upon the change ratio of the Engineering News Record Construction Cost Index for the Seattle Area as reported on a November to November calendar basis.

Section 3. Except as expressly modified hereby and in Resolution No. 5028, Resolution Nos. 4848-J and 4860 shall remain in full force and effect.

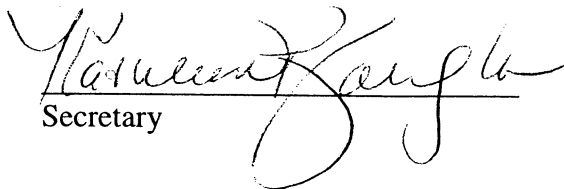
PASSED AND APPROVED this 18th day of December, 2001.



President



Vice-President



Secretary

**WATER UTILITY PROPOSED CONNECTION FEE CHANGES
BASED ON OPTION 2
"BALANCED GOING FORWARD" OPTION
(Proposed Effective Date March 1, 2002)**

DEFINITIONS:

General Facilities Charge: Applies to all new customers connecting to a PUD water system. In general, the developer pays it for new plats, it is included in the assessments for LUD's, and all others pay it at the time of application for water service.

Distribution System Charge: Applies to new customers connecting to a water main extension who have not contributed to the cost of the extension.

This option would increase connection fees 4% over the 2.6% Construction Cost Index for 2002 (rounded to the nearest \$5).

| | Charge or Fee | 2002 Fees Set by CCI (2.6%) | Proposed Additional 4% Increase |
|----|--|--|--|
| 1. | General Facilities Charge – Integrated System & Deferred GFC's Paid at Time of Conveyance Paid at Time of Lot Sale/Service Connection | \$ 2,140 \$ 2,350 | \$ 2,225 \$ 2,445 |
| 2. | General Facilities Charge – Satellite & Remote Systems May Creek Skylite Tracts Storm Lake Ridge Sunday Lake | \$ 2,140 \$ 2,140 \$ 3,475 \$ 3,475 | \$ 2,225 \$ 2,225 \$ 3,615 \$ 3,615 |
| 3. | Distribution System Charge – Single Family Residential Acquired & other LUD-constructed Water Systems Subdivision (Long or Short Plat) Individual Parcel Inside UGB Individual Parcel Outside UGB | \$35.00/front ft \$ 2,540 \$ 4,850 | \$36.00/front ft \$ 2,640 \$ 5,045 |
| 4. | Distribution System Charge – Single Family Residential Acquired & other LUD-constructed Water Systems Blue Spruce Canyon Falls Park (non-assessed) Canyon Falls Park (proportionately assessed) Cedar Lane Getchell Park Jordan Area Jordan River Trails Lake Bosworth Lake Roesiger Machias Ridge East May Creek Rainbow Springs Ray Gray Road (non-assessed) Ray Gray Road (proportionately assessed) | \$ 2,540 \$ 3,140 \$ 2,335 \$ 2,540 \$ 3,970 \$ 2,540 \$ 2,540 \$ 3,970 \$ 2,540 \$ 2,540 \$ 2,540 \$ 2,540 \$ 2,540 \$ 5,410 \$ 2,370 | \$ 2,640 \$ 3,265 \$ 2,430 \$ 2,640 \$ 4,130 \$ 2,640 \$ 2,640 \$ 4,130 \$ 2,640 \$ 2,640 \$ 2,640 \$ 2,640 \$ 5,625 \$ 2,465 |

| | Charge or Fee | 2002 Fees Set by CCI (2.6%) | Proposed Additional 4% Increase |
|----|---|--|--|
| | Riverscene | \$ 2,540 | \$ 2,640 |
| | River Terrace | \$ 2,540 | \$ 2,640 |
| | Skylite Tracts | \$ 2,540 | \$ 2,640 |
| | Storm Lake Ridge | \$ 4,850 | \$ 5,045 |
| | Sunday Lake | \$ 4,850 | \$ 5,045 |
| | Other Future Systems | * | * |
| 5. | Distribution System Charge – Multi-Family Residential | \$35.00/front ft | \$36.00/front ft |
| 6. | Distribution System Charge – Commercial/Industrial | \$35.00/front ft | \$36.00/front ft |
| 7. | Service Connection Charges | | |
| | ¾-inch water service | \$785 | \$820 |
| | 1-inch water service | \$895 | \$930 |
| | ¾-inch meter drop | \$110 | \$115 |
| | 1-inch meter drop | \$155 | \$160 |
| | 1-1/2-inch meter drop | \$325 | \$340 |
| | 2-inch meter drop | \$375 | \$390 |
| | 1-inch pressure reducing valve | \$170 | \$175 |

*To be determined case-by-case, on average cost per lot basis.

Option 1 (Rates Emphasis) – Exhibit “A”

Impact to fees would be status quo: fees would continue to follow the Engineering News Record Construction Cost Index for the Seattle area, resulting in a 2.6% increase in fees in 2002. For example, the GFC would increase from \$2,085 to \$2,140 per connection. Under Option 1, water rates would increase slightly to contribute toward system improvements. This would be the most reliable revenue option.

Option 2 (Balanced Emphasis) – Exhibit “B”

Fees would be increased 4% over the Engineering News Record Construction Cost Index for the Seattle area in 2002 through 2005. Option 3 would result in a 6.6% increase in fees in 2002. For example, the GFC would increase from \$2,085 to \$2,225 per connection. Option 2 would provide a fairly reliable revenue source. Fees would just cover new capacity from 2001 forward.

Option 3 (Fees Emphasis) – Exhibit “C”

Fees would be increased 6% over the Engineering News Record Construction Cost Index for the Seattle area in 2002 through 2005. This option would result in a 8.6% increase in fees in 2002. For example, the GFC would increase from \$2,085 to \$2,265 per connection. This would be the least reliable revenue option. Fees would recover shortfalls in fee revenues over the past four years in addition to projected needs.

Proposed changes to the Policies and Procedures Manual for Administration of Water Services, Section 3 Extension Policies include:

- ◆ One main sizing standard in both rural and urban service areas, tied to the Water System Comprehensive Plan (normally 8-inch minimum main size).
- ◆ Contributions to developer improvements limited to oversizing of mains to meet needs identified in the 20-year Capital Improvement Plan, not just project-required fire flows.
- ◆ Extend application of DSC to all District- and developer-installed mains not funded by local utility districts, or other local financing mechanism.
- ◆ Adjust deferred GFC differential to reflect current cost.

On December 12th, the Water Advisory Task Force met to review the options for increasing connection fees and to discuss the proposed changes to the engineering policies. Staff will report on the outcome of that meeting.

List Attachments:

- Resolution
- Exhibits “A,” “B,” and “C”
- Exhibit “D” – Main Extension Policy

RESOLUTION NO. 5113

A RESOLUTION Authorizing the General Manager to
Execute an Agreement with the City of Marysville for
Water Supply

WHEREAS, the District and the City of Marysville (the "City"), along with the Tulalip Tribes, are participants in the North Snohomish County Regional Water Supply Joint Operating Agreement (the "JOA"), pursuant to which the City has constructed and owns, operates and maintains a 30-inch water pipeline (the "JOA Pipeline", or "Pipeline"), through which the City delivers water from the Everett Water Transmission Pipeline No. 3 to the District's Soperwood Pump Station; and

WHEREAS, the District has purchased from the City and currently receives delivery of water supply by means of its 16.55% share of the capacity of the JOA Pipeline to facilitate service to portions of the District's Lake Stevens Integrated Water Service Area. Ownership of a smaller, 7.21% share of the Pipeline capacity has remained undetermined between the City and the District pending completion of negotiations regarding division of certain portions of their respective service areas, reimbursement of Pipeline operation and maintenance costs, and other issues related to long-term use of the Pipeline by the City and the District; and

WHEREAS, the District has now determined that it does not need any portion of the Pipeline capacity beyond that portion it has already purchased, and the City and the District have concluded their negotiations related to all of the above matters and now wish to finalize and memorialize their agreement with regard thereto,

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington, that the General Manager is hereby authorized to execute on behalf of the District an Agreement between the City of Marysville and the District for water supply, substantially in the form of that Agreement attached hereto as "Exhibit A" and incorporated herein by this reference.

PASSED AND APPROVED this 28th day of May, 2003.

Not Present

President

Cynthia First

Vice-President

David A. Cudde

Secretary

2003

AGREEMENT BETWEEN
CITY OF MARYSVILLE
AND
PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY
FOR WATER SUPPLY

THIS AGREEMENT IS ENTERED into by and between the CITY OF MARYSVILLE, a municipal corporation of Snohomish County, Washington, hereinafter referred to as the "City," and PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, hereinafter referred to as "PUD," and is effective upon execution by both parties.

WHEREAS, the City and the PUD are participants in a joint operating agreement (JOA) dated January 10, 1991, which envisions coordination in the implementation of an adequate and safe water supply for the City and North Snohomish County, Washington; and

WHEREAS, the PUD and the City each own capacity rights in and utilize for their respective water utility purposes a 30-inch pipeline (the "JOA-I Pipeline" or "Pipeline") which was built by the City pursuant to the JOA; and

WHEREAS, the City owns, operates and maintains the JOA-I Pipeline and the PUD has agreed to compensate the City for the PUD's share of Pipeline operation and maintenance costs; and

WHEREAS, the City agrees to make City of Everett water available to the PUD at points along the JOA-I Pipeline based on the PUD's "assigned capacity share" in the Pipeline, in accordance with the JOA; and

WHEREAS, it is proposed that a charge be established which will fairly and reasonably compensate the City for operation and maintenance costs associated with making water supply from Everett available to the PUD through the JOA-I Pipeline to the point of connection with the PUD as established in this Agreement.

NOW, THEREFORE, IT IS AGREED as follows:

I

DEFINITIONS

As used in this Agreement, the following words and phrases shall have the meanings hereinafter set forth unless the context shall clearly indicate that another meaning is intended.

(1) The term "Transmission Main" shall mean that part of the water supply system having as its primary purpose carrying a supply of water between the Everett source of supply and either Party's respective water distribution facilities.

(2) The term "Service Connections" shall mean those separate connections between a distribution system main and the final consumer.

(3) The term "Distribution Main" shall mean any size water main which has service connections tapped directly to the water main and having as its primary purpose supplying an individual or final consumer. Unless the parties expressly agree otherwise, however, this term shall not include a transmission main with incidental retail customer service connections.

(4) The term "Distribution Facilities" shall mean that system of pipes and appurtenances, including but not limited to distribution mains, used primarily for receiving a supply of water from a transmission main and distributing such water directly to the consumers or final users. For the purpose of this contract, it shall be understood that "distribution facilities" are separate parts of a discrete water system and as such are all respectively owned, operated, and controlled by either the PUD or the City individually, but not jointly.

(5) The term "Everett Wholesale Rate - PUD" shall mean the cost, in dollars per 100 cubic feet, which is charged by the City of Everett for water received by the PUD through the JOA-I Pipeline. Such rate may be based in part upon the PUD's peaking factor.

(6) For the purpose of this Agreement, the term "JOA-I Pipeline" is that portion of the existing Everett - Marysville water transmission line beginning at approximately Hewitt Avenue at 87th Avenue SE and extending northerly to the intersection of 44th Street NE and 83rd Avenue NE.

(7) The term "Master Meter" shall mean the measuring device placed in the flow of a large main not being a service connection.

(8) The term "Everett and JOA Participants - Water Supply Contract" shall mean that certain agreement, dated January 10, 1991, between the City of Everett and Joint Operating Agreement participants (specifically the City of Marysville, Public Utility District No. 1 of Snohomish County and the Tulalip Tribes of Washington) as it now exists and as it may be amended in the future.

(9) The term "Peak Day Water" is the 24-hour average flow rate for the maximum usage day during a calendar year.

II

ANNEXATION OF AREAS SERVED BY PUD –
AND PUD FACILITY ACQUISITIONS BY THE CITY

A. At such time as the City extends its corporate boundaries to include areas within that “overlap area” described in Exhibit 1, attached hereto and incorporated herein by this reference, any applicable service area and any part(s) of the PUD’s “Distribution Facilities” used to serve PUD water utility customers within such areas, upon the written request of the City, shall to the extent and in the manner provided by law, be conveyed by the PUD to the City. Provided, that in adjusting their water system boundaries within the “overlap area” pursuant to the previous sentence, the parties shall endeavor to make such adjustments in a reasonable manner which takes into account each party’s respective water system hydraulics and prudent engineering and water system operating practices. Provided further, that in no event shall the PUD’s capacity share be modified or reduced by any or all annexations by the City to less than 16.55% of JOA-I Pipeline capacity or 3.42 million gallons per day (MGD), whichever is greater. The purchase price to be paid by the CITY for facilities subject to such conveyance shall be based upon the annexed customers’ pro-rated share of the PUD’s outstanding water system bonded indebtedness, including any bonded indebtedness related to the JOA-I Pipeline, as determined by the revenues derived by the PUD from the annexed customers compared to the total rate revenues of the PUD water system.

B. It is understood and agreed by the PUD and the City that conveyance of utilities under this section shall not include transmission main or other facilities, including facilities defined in this Agreement as “distribution facilities” which are reasonably required by the PUD to serve its customers outside the conveyed service area, until such time as all of those areas served by the facilities have been annexed by the City. The facilities as shall be conveyed hereunder are, from the time of conveyance, sold and purchased “as is” and shall become the sole responsibility of the City; Provided, that until the time of conveyance, the PUD shall continue to operate and maintain such facilities in accordance with its usual and customary utility practices. At the time of conveyance of facilities to the City, the PUD shall transfer copies of “as-builts” and other records describing such facilities as are in the possession of the PUD.

C. With regard to facilities conveyed to the City under this section, the City shall become responsible for administering any applicable unexpired PUD latecomer agreements; and the PUD shall assign to the City such latecomer agreements and provide applicable records related thereto.

D. The City and PUD agree that neither shall serve any customer within the other party’s service area without the prior express written consent of the other party.

III

POINTS OF CONNECTION, PIPELINE CAPACITY, PUD CAPACITY SHARE, AND
LIMITATION OF LIABILITY

A. The City agrees to make available peak day water desired by the PUD at the agreed connection point on the JOA-I Pipeline for an operation and maintenance charge as hereinafter set forth, subject to limits of the "Everett and JOA Participants – Water Supply Contract." The currently agreed connection point is:

Soper Hill Road (28th Street N.E.) and 83rd Avenue N.E.

The actual point of delivery at the connection point shall be the downstream flange of the valve upstream of each "Master Meter" and check valve. If the JOA-I Pipeline supply is limited by Everett, the PUD's Everett supply will be limited in the same proportion as each Party's capacity allocation in the JOA. Additional points of connection may be authorized by letter agreement between the Parties, subject to all other provisions of this Agreement.

The Parties stipulate and agree that the PUD's "assigned capacity share" in the JOA-I Pipeline is 16.55% or 3.42 MGD, whichever is greater. The respective JOA-I Pipeline capacity shares of the parties hereto is described in Exhibit 2, attached hereto and incorporated herein by this reference.

At the time of execution of the JOA, the parties to such agreement reserved 7.21% of the JOA-I Pipeline capacity for service to the "overlap area" described in Exhibit 1. The PUD has agreed to relinquish, to the City, any and all right the PUD may have in the pipeline capacity reserved for the "overlap area." Notwithstanding such relinquishment of pipeline capacity, the PUD agrees to continue to serve its customers within the "overlap area" until annexed by the City.

Further, the Parties stipulate and agree that the PUD has paid to the City the sum of \$1,018,357.52 for its assigned capacity share of JOA-I Pipeline capacity, a sum which represents full compensation for such share.

B. This Agreement by the City to make water supply available to the PUD shall be subject to and limited by unavoidable accidents, acts of God, and any conditions beyond the reasonable control of the City. The City will treat any major interruption to the supply to the PUD as an urgent matter and will attempt to restore or cause to be restored normal service to the PUD as expeditiously as reasonably possible. Accordingly, the PUD agrees to save and hold harmless the City, its officers, agents, elected officials, and employees, from and against any and all liabilities, claims, actions, or damages (including costs of defense and reasonable attorneys fees) by the PUD and customers thereof relating to or arising out of unavoidable accidents, acts of God, catastrophe, limitations by Everett either through contract or its own emergency, and any and all other conditions beyond the reasonable control of the City. Any and all claims arising out of such circumstances by customers of the PUD shall be referred directly to the PUD and it shall review, adjust, and/or defend said claims at its own expense, as appropriate.

C. The quantity of water made available shall be measured by the "Master Meter" referred to in Section IV herein. Nothing herein, however, should be construed as obligating the PUD to take any minimum quantity of water through the Pipeline at any time.

D. The PUD may desire, at a future date, to connect to the City system beyond the JOA-I Pipeline. The City agrees that such future connections may be allowed, subject to a letter of agreement between the parties prior to the time of connection.

IV

MASTER METER AND TESTING

A. All water supply delivered by the City to the PUD through the supply point at the intersection of Soper Hill Road and 83rd Avenue N.E. shall be measured through the "Master Meter." Said "Master Meter" shall include telemetry of flow data and any necessary control functions and shall meet all specifications and approval of the City. All installation, maintenance, repair, and replacement of the Master Meter shall be by the PUD, at its own cost. Provided, however, that prior to any maintenance, repair or replacement of the Master Meter, the PUD shall give at least 24 hours written notice to the City Director of Public Works. Provided, further that such notice need not be given in the case of routine maintenance or a bona fide emergency.

B. Access to all meters and the flow records shall be made available to the City at all times. The PUD, at its own cost, shall maintain, repair, and replace its own remote control recording and other telemetry equipment controlling and monitoring water supply through the "Master Meter." The City shall maintain all equipment used by it to monitor the PUD's remote control and recording equipment. All meters shall be checked by the PUD for accuracy every two years as part of normal maintenance. However, either party to this Agreement may, at its option, request or cause the Master Meter to be tested for accuracy at any other time between the biennial checks. The PUD shall provide the City with notice of its biennial test of the Master Meter sufficient to provide the City with reasonable opportunity to observe the testing process. The PUD will provide a copy of written results to the City concerning biennial testing within ten days following completion of such testing. All tests shall be conducted in a manner agreeable to both parties and the costs of the testing other than the biennial check shall be borne in the following manner: If both parties agree to the test, then costs will be shared equally. If either of the parties singularly requests the test, then the cost shall be borne by the party causing the test to be performed, providing the test indicates the meter to be performing within 2% of actual delivery amount. In the event the meter is not performing within the allowable limit, then the party benefiting as a result of the malfunction shall bear the cost of the test. Also, in such event an adjustment in charges for water supply shall be determined as follows:

The meter error percentage determined from the test shall be used to adjust recorded deliveries and shall apply for a period of time being one-half the time between the last satisfactory test and the test at which the malfunction was determined, plus all of the time between discovery of

the error and completion of repairs or adjustment of the meter. Either a credit reimbursement or additional billing at the "Everett Wholesale Rate – PUD" shall accrue to the appropriate party.

C. The "Master Meter" installation shall include test ports for testing of the "Master Meter," with appropriate valving and bypass around said meter to facilitate testing. The PUD will provide and insert a test meter for accuracy certification of the "Master Meter." A strainer immediately upstream of the "Master Meter" will be included as part of the "Master Meter" installation.

D. Should the test meter record a different consumption than the master meter, consumption will be adjusted to the test meter as aforementioned. Consumption will continue to be based upon an adjustment to the test meter unless the master meter is recalibrated.

V

WATER QUALITY AND PRESSURE; EMERGENCY WATER SUPPLY

A. The City will make every reasonable effort to deliver a quality of water to the PUD connection point equal to the quality delivered to the City by the City of Everett under Section 4G of the "Everett and JOA Participants Water Supply Contract," and the City makes no other promise, representation, or warranty regarding the quality of water delivered to the PUD.

B. The City shall deliver water supply to the PUD's point(s) of connection on the JOA-I Pipeline at an hydraulic grade line equal to the grade line at the point of connection of the Pipeline to the City of Everett's water transmission pipeline, less pipeline head friction losses. A flow control valve to maintain such hydraulic grade, if necessary, shall be installed at the PUD's request at a point downstream of the PUD's last point of connection to the JOA-I Pipeline. The PUD agrees that it shall pay the cost of installation of such a valve, not to exceed the sum of ten thousand dollars (\$10,000.00); the City agrees that it shall cause such valve to be installed within a reasonable time following the PUD's request for installation. Payment for valve installation shall be within 30 days following operational completion of valve installation.

C. Should the City of Everett water supply through the JOA-I Pipeline be limited or interrupted for any reason, the PUD may request emergency supply from the City. In the event other water supply, such as from the City's well system is available through the Pipeline to respond to a request for such emergency supply and the City determines in its discretion to supply such water, and the PUD agrees to accept such water, the quality of water supplied shall be equal to the water that the City supplies to its own customers in the affected area. Should the City supply and the PUD accept water under this paragraph, such supply shall be at the City's regular industrial water rate, as provided in Chapter 14.07 Marysville Code.

D. The PUD shall provide means, at its own expense, to assure that PUD water will not backflow into the City system. Both parties agree that they will continue to cooperate on an ongoing basis with the City of Everett to pursue compliance with the Federal Safe Drinking Water Act – Public Law 93-523.

VI

OPERATION AND MAINTENANCE CHARGE

The City will be compensated for its operation and maintenance costs of the JOA-I Pipeline. The charge to the PUD shall be billed yearly on March 31 based upon the following elements and computation formulas:

PUD will pay Everett directly for its wholesale water delivered through the JOA-I Pipeline. PUD will pay to Marysville a yearly lump sum payment for JOA-I Pipeline operation and maintenance based upon the previous year's costs as described below, multiplied by the percentage of PUD "assigned capacity rights" in the Pipeline (as it existed at the time the operation and maintenance costs accrued to the CITY), plus an annual charge associated with administration of this Agreement, as described below.

COMPUTATION OF CHARGE

The JOA-I operation and maintenance cost

$$R = [(P + M)(1.0 + OH)] (CR)$$

| | | |
|----|---|--|
| R | = | JOA-I O&M Costs |
| P | = | Power cost for preceding year |
| M | = | Operation and Maintenance cost for preceding year allocated to Pipeline (excluding overhead) |
| OH | = | Water utility overhead rate |
| CR | = | PUD "assigned capacity rights" in JOA-I Pipeline (16.55% as of the effective date of this Agreement) |

Power Cost = P:

Power cost (P) shall include all electrical charges associated with the JOA-I Pipeline.

Operation and Maintenance Cost = M:

Operation and Maintenance costs (M) shall include all direct and indirect costs, including repairs and replacement due to casualty, but shall exclude overhead attributable to the JOA-I Pipeline.

Water Utility Overhead Rate = OH:

The formula for determining the overhead rate (OH) is attached as Exhibit B and includes the following components.

- General and specific overhead direct and indirect associated with water service excluding meter reading and billing cost
- Professional services for O&M
- Insurance
- Taxes and assessments
- Transmission and distribution supervision

NOTE: Because the formula set forth in Section VII does not include Pipeline depreciation, it is understood that the PUD intends to pay for its share of capital facilities replacement or new capital facilities through a cash contribution at the time of replacement or new construction. However, the PUD is not obligated under this section to participate in replacement of the JOA-I Pipeline. If it participates in replacement of the Pipeline, the PUD's share shall be based upon its percentage share of allocated capacity in the JOA-I Pipeline as determined at the time of the capital facilities replacement or new construction. Payment by the PUD for its agreed pipeline capacity share shall be made within sixty (60) days of the date that Marysville gives notice to the PUD of the completion of the capital facility and the actual cost of the same.

METER READING AND ADMINISTRATION CHARGES

The PUD shall pay an annual administrative charge of \$100 for costs associated with meter reading, billing expense, reports, and collection.

VII

BILLING AND PAYMENT-ANNUAL ADMINISTRATION AND O&M COSTS

The PUD's share of JOA-I annual operation and maintenance costs and administration costs shall be paid within thirty (30) days of the City's billing, which shall occur on or about March 31 each year during the term hereof.

If any payment or portion thereof due to the City shall remain unpaid for thirty (30) days following its due date, the PUD shall be charged with and pay to the City interest on the amount unpaid from its due date until paid at the rate of 12% per annum. In the event the City is required to collect any delinquent fees, rates, costs, or billings which become past due, both parties stipulate and consent to both venue and jurisdiction of the Snohomish County Superior Court. The substantially prevailing party in such action shall be entitled to its cost and reasonable attorney fees from the other party.

VIII

TERM AND EXPIRATION

(1) The term of this Agreement shall be from the date of its mutual acceptance by all parties and extend for the useful life of the JOA-I Pipeline. Provided, that this Agreement shall be subject to review and modification by the parties every ten years from the effective date. The written agreement of both parties shall be required for any amendment hereof.

IX

DISPUTE RESOLUTION

The parties desire to avoid and settle without litigation future disputes which may arise between them relative to this Agreement. Accordingly, the parties agree to engage in good faith negotiations to resolve any such dispute. Such negotiations shall be first conducted at the water utility staff level and if unsuccessful, may then proceed to the level of respective water utility management, then to the CITY's Mayor and the PUD's General Manager, respectively. Should settlement negotiations prove unsuccessful, the parties may proceed to litigation.

Jurisdiction and venue for any action relating to the interpretation, enforcement, or any dispute arising from this agreement shall be in Snohomish County Superior Court.

This Agreement shall be construed, and the legal relations between the parties hereto, shall be determined in accordance with the substantive law of the State of Washington.

The substantially prevailing party in any litigation brought to enforce rights or obligations of either party under this Agreement or any appeal of judgment in such litigation shall be entitled to its costs and reasonable attorney fees.

X

WAIVER, ASSIGNMENT, NOTICES, AND ENTIRETY

(1) Waiver: No waiver by either party hereto of any terms or conditions of this Agreement shall be deemed or construed to be a waiver of any other term or condition, nor shall the waiver of any breach be deemed to construed to constitute a waiver of any subsequent breach, whether of the same or any other term or condition of this Agreement.

(2) Assignment: Except where one of the parties merges or combines with another entity, neither this Agreement nor any of the rights, interest, or obligations created hereunder may be

assigned by either party without the written consent of the other party. This Agreement shall be binding upon the successors and assigns of the parties.

(3) Notices: Notices required or permitted to be given hereunder shall become effective upon being deposited as registered or certified mail in a United States Post Office, addressed as follows:

To Snohomish County Public Utility District No. 1:

President, Board of Commissioners
P.O. Box 1107
Everett, WA 98206

To The City:

Honorable Mayor
City of Marysville
Marysville City Hall
4822 Grove Street
Marysville, WA 98270

or to such other address as may be substituted in writing by the addressee.

(4) Entirety: Except as provided in the JOA between the parties, as specifically modified herein, all prior negotiations and agreements between the parties hereto relating to the subject matter hereof are merged into and superseded by this Agreement, and shall constitute the entire final and exclusive agreement between the PUD and the CITY concerning the sale of water to the PUD for the use as hereinbefore provided.

This Agreement shall be executed in two duplicate counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

DATED this _____ day of _____, 20__

PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY

By: *Edward J. Hansen*
Title

(Seal)

Attest: _____
Title

Approved as to Form: *M. J. [Signature]*
General Counsel

CITY OF MARYSVILLE

By: _____
Mayor

(Seal)

Attest: _____
City Clerk

Approved as to Form: _____
City Attorney

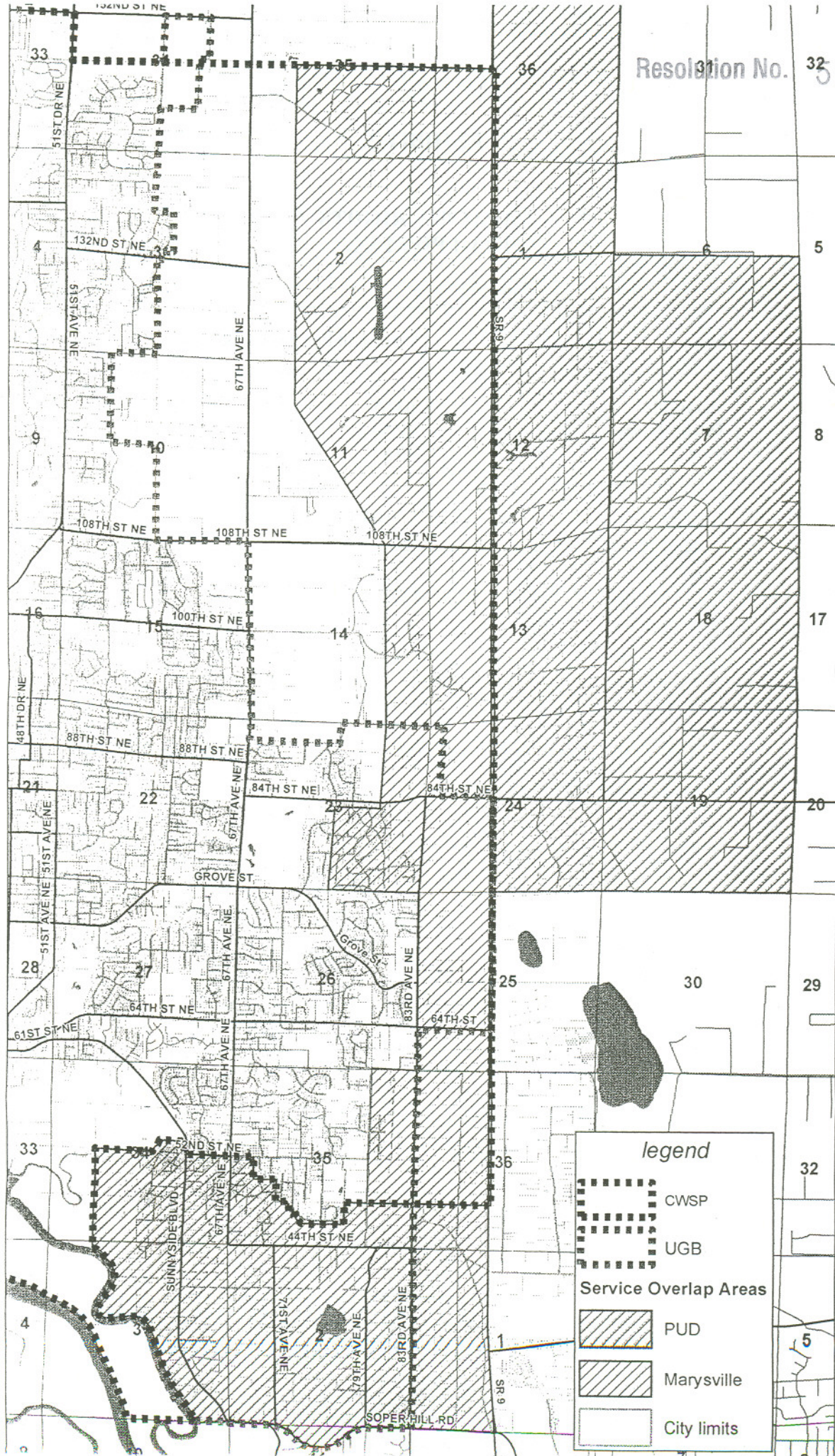


EXHIBIT 2

**CAPACITY RIGHTS
JOA-I PIPELINE**

| Entity | Percent of Pipeline Capacity |
|-------------------------------------|------------------------------|
| Marysville Tulalip Tribes PUD | 63.65 19.80 16.55 |
| Total | 100.00 |

RESOLUTION NO. 5158

A RESOLUTION Amending and Adopting District Water Utility Policies, and Revising Certain Rates and Charges for Water Utility Service.

WHEREAS, Public Utility District No. 1 of Snohomish County, Washington (the "District"), from time to time, has adopted, reviewed and amended its Water Utility Policies and Rates for its water system to accommodate changing circumstances and District needs, and to improve customer service; and

WHEREAS, the District has full and exclusive authority under RCW 54.16.030 to regulate and control the use, distribution, and price of its water utility services, and has the power and obligation under RCW 54.24.080, to establish, maintain, and collect rates or charges for water and other services supplied by the District which shall be fair, nondiscriminatory, and adequate to provide revenues sufficient for payment of its lawful obligations, to fund its planned improvements, and to provide quality water service to its existing and new water service customers; and

WHEREAS, the District held a public hearing on February 24, 2004, to review the Water Utility's proposed amendments to its Water Utility Policies and to its service rates and charges, and to provide District water service customers opportunity to comment thereon, and the Commission has considered the information and comments provided at such hearing; and

WHEREAS, Resolution No. 4848-J delegates to the District's General Manager broad authority to establish certain policies and regulations relating to water service, but reserves in the District's Commission the authority to establish the general terms, conditions, and policies for water service provided by the District as set forth in Section 2; and the rates, charges, and fees set forth in Appendix B of the District's Policies and Procedures Manual for Administration for Water Services, as it may be amended from time to time; and

WHEREAS, the Commission finds the proposed revisions to the District's Water Utility Policies and to its Rate Schedules are reasonable and appropriate, and are consistent with the District's 2002 Water System Plan, and in the best interests of the District and its customers.

NOW, THEREFORE BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, as follows:

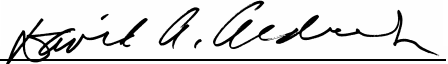
Section 1. Effective March 1, 2004, Sections 2 and 3 of the District's Policies and Procedures Manual for Administration of Water Services shall be revised as described in Exhibits "B" and "C", respectively; and the District's Water Utility System Service Charges, Tables B-4, B-5, and B-11, shall be revised as described in Exhibit "D". Each of such Exhibits is incorporated herein by this reference.

Section 2. Except as expressly modified hereby, Resolution Nos. 4848-J and 4860 shall remain in full force and effect.


PASSED AND APPROVED this 24th day of February, 2004.



President



Vice-President



Secretary

Summary of Proposed Policy Changes

- **Section 2.3.15, Resale** – Adds the requirement to have a valid wholesale water agreement in place prior to the re-sale of PUD water to non-PUD customers.
- **Section 2.3.18, Interruption of Service** – Removes the ability for the District’s water crews to work on a customer related problem and bill the customer for the work on the next regular billing cycle.
- **2.6.3, Distribution System Charge (DSC)** – Clarifies when a DSC shall be charged.
 - A DSC will be charged whenever a new plat goes in and the developer does not have to pay for extending or replacing the main plat’s entire frontage. (The frontage that is not replaced will pay a front foot DSC).
 - A DSC will be paid whenever a lot is subdivided and the new lot wants a connection to the system.
 - A DSC shall be paid whenever a connection is allowed through the District’s Interim Connection policy. This DSC will go toward the new future main that the home eventually takes permanent service from.
- **Section 3.3.2, Formation of a Local Utility District (LUD)** – Establishes a fee to prepare a petition to initiate an LUD (proposed \$100) and added language that allows and clarifies the Non-Contiguous LUD process.
- **Section 3.3.8, Distribution System Charge** – Same changes as made in section 2.6.3
- **Section 3.3.9, Reimbursement Using the DSC**
 - DSCs shall be reimbursed to third party installers who are required to replace existing mains per section 3.3.11. Previously reimbursements were only made to those extending District mains into new areas.
 - DSC Reimbursement shall only be made for DSCs collected from new customers whose service is considered by the District to be permanent. DSCs collected with Interim Connection Agreements are intended to help pay for the new future main.
 - Developers will need to enter into a re-imburement agreement with the District through revised language in our standard Developer Extension Agreement.
 - If we cannot locate the Developer who is entitled to the DSC re-imburement, the District will retain the DSC.
- **Section 3.3.11, Oversizing and Replacement** – Clarifies the District’s authority to require replacement of inadequate mains and appurtenances along the frontage of a new development.

EXHIBIT A

- **Section 3.4.2, Extension of Mains Along Property Frontages** – For individual parcels abutting more than one established road or developed right-of-way, the applicant will be required to extend the main along the side of the parcel from which the permanent service line is installed. Changed from the longest side.

- **Table B-4, Distribution System Charge Fee Schedule**
 - Proposing to change the Front Foot Charge from current 2004 amount of \$41.60/ft to \$27/ft.
 - Removed the differentiation between the DSC if the property is located inside of a UGB (Urban Growth Boundary) or outside of a UGB. Proposing to average the charge and make it consistent with the front foot charge (see assumptions made below). Proposed Individual DSC shall be \$3,090/connection. Currently the DSC inside of a UGB is \$3,055 and \$5,840 outside of a UGB.
 - Duplex lots were changed to pay a standard DSC charge rather than a front foot charge.
 - Commercial Facilities split to two different types – Multiple Parcel/Facility, Strip Malls, Large Scale Commercial pay a front foot charge for all sides that abut a public right of way (same as current policy), whereas Individual Parcel/Single Small Commercial Facilities only pay a front foot charge for the side of the parcel that they take permanent service from (new – previously they were also required to pay for both sides, which in the case of small commercial – churches, fire stations, small businesses was overly burdensome.)
 - Additional 4%/year increase put in place in 2002 was removed – so future annual increases will be based upon the ENR cost index.
 - Assumptions made in the determination of the front foot charge and individual parcel DSC charge are as follows: (a.) Average front footage for urban and rural lots in Snohomish County is 115'. Based upon average urban lot size of 7,243 sq ft, average rural lot size of 58,110 sq ft, and the average lots frontage is 1/2 as long as it is deep. (b.) Front Foot charge based upon 1/2 the average of the average cost/ft of District 8" water main extensions and the average cost/ft of 8" water mains installed and conveyed to the District by Developers.

- **Table B-5, Distribution System Charge Exceptions from the Standard DSC for Satellite and other LUD Systems – Single Family Residential**
 - The DSCs for each of the Satellite/LUD financed systems were re-calculated using the original distribution portion of the assessments. These numbers shall remain the same until the standard system DSC found in Table B-4 is equal to or greater than the DSC shown in Table B-5. At such time the standard DSC shall be used and the DSC exception in Table B-5 shall be dropped.

- **Table B-11, Engineering Service Fees**
 - Added \$100 LUD Petition fee.

Section 2
General Terms, Conditions,
and Policies for Water Service

Section 2

General Terms, Conditions, and Policies for Water Service

2.1 General Provisions

2.1.1 Scope

Section 2 of this Policies and Procedures Manual provides the General Terms, Conditions, and Policies for furnishing and receiving water service. These terms, conditions and policies are a part of all oral or written proposals, offers, agreements, and contracts for furnishing and receiving water service relating to the District. A copy of this document shall be available for public inspection during regular District business hours in the District's Headquarters Building at 2320 California Street in Everett, WA.

2.2 Initiating and Terminating Service

2.2.1 Service Application or Contract

- (a) Each New Customer desiring water service must make application and may be required to sign an application form or contract prior to service connection.

Application for water service may be made at the PUD's Headquarters Building at 2320 California Street, Everett.

- (b) The District may, in some circumstances, accept application for service from a second party, with the understanding that the first party will sign an application within fifteen (15) days. Such second party shall be responsible for payment of services unless and until an appropriate written and signed service application is made by the first party and accepted by the District for the entire service period.
- (c) At the time of application, all New Customers shall be informed of connection fees and of any additional charges for services after regular service hours. Any claimed or actual failure to inform shall not, however, relieve the new customer of any such fees or charges.
- (d) Large industrial or commercial contracts may be written on a special form and shall contain such provisions and stipulations as may be necessary or desirable to protect the interests of both the District and customer.

2.2.2 Agreement

Acceptance of service is subject to current District policies, rates, service requirements and regulations, with or without a written application or contract.

2.2.3 Owner/Agent Agreement

A contract may be entered into by any owner of rental property for the provision of uninterrupted service to such property between tenancies. The owner agrees to pay for water service charges during this period and until a tenant assumes responsibility for water service under these policies.

2.2.4 Initiation of Service

- (a) Service will be initiated when the customer has met all District requirements and submitted:
- Proper application and a demonstration of credit sufficient for reasonable assurance that service bills and fees will be paid.
 - Valid service and mailing address(es).
 - Payments as required on outstanding accounts.
 - Payment of applicable deposits and other fees.
- (b) When new installations, conversions or upgrades of District facilities are required to provide service, requirements will vary as follows:

Newly constructed or upgraded services: in addition to the above, require appropriate evidence of state, city or county plumbing inspection.

The District may, at its option, require the presence of a responsible person in the building at the time the water is turned on. If required, and arrangements are made to have such person present at a predetermined time, and such person is not present, the District, at its option, may charge a fee commensurate with that listed in the District's Schedule of Charges and Fees to arrange a subsequent time to turn on the water. Only assigned District personnel may initiate a water service connection.

2.2.5 Disconnection of Service

- (a) Service may be disconnected for good cause, including (but not limited to):
- Violation of service requirements or regulations, rate schedules, contracts or plumbing codes.
 - Failure to pay fees or deposits.
 - Theft or illegal diversion of water.

- Customer system leaks of which the District becomes aware and which cause or may result in significant water loss and/or property damage.
- No one assumes responsibility for service.
- Failure to pay water charges when due.

The District may also refuse or disconnect water service used in a manner which is seriously detrimental to the service being rendered to other customers as further described in Sections 2.3.5 and 2.3.16.

- (b) When disconnection occurs, the customer will be given a notice concerning such action and the process for reconnection of service. In the customer's absence, the notice will be left in a prominent place on the premises. Notice will also be mailed.

The nature of the notice required and the period of time before disconnection shall be reasonable under the particular circumstances with special consideration for the potential dangers to life and property.

- (c) The termination of service for any cause shall not release the customer from the obligation to pay for water received, fees owed, and charges specified in this Manual or in any existing contract.
- (d) Service will not be disconnected without a disconnect notice for nonpayment of bills.
- (f) Disconnection During Appeal:

At the District's discretion, termination of service may be by locking meter isolation valves or physical disconnection as the District may choose.

2.2.6 Reconnection

When service is disconnected for noncompliance with service requirements or regulations, nonpayment or fraudulent use, the service will not be reconnected until the situation is corrected to the District's satisfaction.

Before reconnection, the customer will be advised of current fees and charges for service restoration. (See Appendix B, Table B-10).

Only authorized District personnel may initiate and turn-on service to a water service connection. Appropriate charges, as specified in Appendix B, for turning on or reconnecting service will be assessed as applicable.

2.2.7 Termination of Service by a Customer

Except as may be otherwise provided for by a special contract or agreement with the District, when a change of occupancy or of legal responsibility takes place for water

service to any premise being served by the District, the customer may terminate service by notification in person, by telephone or in writing to the District within a reasonable time prior to such change. The outgoing customer may be held responsible for all service supplied to the date notification is received by the District. The District reserves the right to read the meter(s) for a final bill within a one-week period from the date of notification to terminate, and such reading(s) may be adjusted for consumption, if any, used by subsequent customer(s). The final reading may be estimated by mutual consent of the customer and the District. Under some circumstances the District may, at its option, require written authorization from the customer paying for water service before discontinuing such water service.

2.3 Service and Equipment Requirements

2.3.1 Customer Facilities

- (a) Plumbing and Equipment: The customer shall install, own and maintain all plumbing and equipment beyond the delivery point, excepting meters and special facilities installed or furnished by the District. The customer's plumbing is to conform to:
- District's service requirements and regulations.
 - Municipal, county and state requirements.
 - Accepted modern standards as set forth in the Uniform Plumbing Code.

2.3.2 Requirement of Adjacency to District Main

In order to be served by the District's water system, the customer's property must lie adjacent to a District water main. If the customer desires water service, and if the customer's property lies remote from a suitable District main, the customer shall be required to extend the main through or past his/her property and pay for all costs associated with the main extension.

The AGM of Water Resources, or his/her designee, shall have the authority to waive the requirement of adjacency to a District main.

2.3.3 Placement of Service Equipment

- (a) It is preferable that water services not be over 300 feet from the meter to the point of use in order to maintain adequate pressure. Services over 300 feet in length are permitted; however, the District will not guarantee adequate pressure for these services.
- (b) The customer's service pipe shall be extended eighteen (18) inches beyond the meter. The water service pipe shall be installed at a location mutually agreeable between the District and customer. The District will install the meter, meter box, and tailpiece assembly.

Private service lines shall not cross other parcels, nor shall they be constructed in public rights-of-way or in private rights-of-way solely dedicated to another property without the express approval of the AGM of Water Resources or his/her designee.

Evidence of permission to make such crossings shall be provided to the District at the time of application.

District and all necessary permits, easements or other authorization shall be obtained at customer expense.

2.3.4 Responsibility for Maintenance

The District is responsible for maintaining its facilities and equipment to the point of delivery. The customer owns and maintains equipment beyond the point of delivery. (See Subsection 1.8.11)

2.3.5 Safeguard of District Facilities

The customer shall provide space for, and exercise proper care to protect any of the District's facilities on the customer's premises. This shall include meters and other facilities installed by and remaining the property of the District. Any person knowingly and maliciously damaging or tampering with District meters and other equipment, reconnecting a previously disconnected meter for the purpose of restoring utility service or tampering with any District equipment with the intent of defrauding or illegally diverting utility service shall be prosecuted by the District in accordance with Chapter 9A.56 RCW. In addition, in the event of unauthorized connection, and loss or damage to the District's property, the District may collect from the customer the charge for estimated unmetered water, the cost of facility repairs and replacement, administrative costs, attorneys' fees, and other costs authorized or awarded pursuant to RCW 80.28.240. The District shall also bill the customer for reasonable administrative costs that shall include all time and expense by District personnel to resolve the situation. This charge will be in addition to the charge for estimated unmetered water.

- (a) The District may refuse or disconnect service to customers when conditions are known by the District to be defective or out of compliance with codes, regulations or requirements. The District is not liable for loss or damage to persons or property resulting from defects or negligence:
 - By the customer beyond the point of delivery, or
 - In the customer's installation, facilities, or equipment.
- (b) When an individual's action might endanger District property or interrupt water service, prearrangements can be made for a crew or serviceman to standby. Cost for this service may be charged to the responsible party.

Should loss or damage occur to District property, the responsible party may be charged for repair or replacement cost, administrative time and expense and estimated loss of unmetered water. However, if a District employee is at the site and approves the method and work, the charge to the customer may be modified or waived.

2.3.6 Access to Premises

- (a) The customer is to provide District representatives with safe, clear access and entry to customer premises for service related work. The District's facilities must remain unobstructed and accessible at all reasonable times so the District may:
- Install, inspect, maintain or remove equipment or plumbing.
 - Read, connect, disconnect or inspect metering devices.
 - Inspect customer owned cross-connection control devices.
 - Inspect all customer water facilities to ensure there are no cross-connections. At any time a cross-connection is discovered and it is not immediately remedied by the customer, the District reserves the right to terminate water service to the customer until such cross-connection is removed.
- (b) For locked District equipment, the customer will provide the District with an access key. When necessary for customer convenience, the District may install an accessible keybox, for which a standard fee will be charged the customer.
- (c) The customer shall provide space and protection for District facilities on the customer's premises, including meters, and other equipment installed by and belonging to the District.
- (d) Although the customer is responsible at all times for maintaining customer-owned equipment, the District may inspect customer equipment before or after service connection.

However, such inspection, or lack of inspection, shall not be construed as placing upon the District any responsibility for the condition, or maintenance of the customer's plumbing; nor does it guarantee the absence of cross-connections in the customer's service.

2.3.7 Separate Service for Each Lot, Property, or Residence

Each lot, property, or residence will be required to have a separate water service, except as provided for in this subsection. Customers shall not extend a service line to an additional residence without the written consent of the District.

- (a) Each multi-family residential structure may be served by either a joint meter or individual meters for each unit, at the option of the property owner.

- (b) Commercial, industrial, institutional, or governmental customers with facilities occupying multiple lots or structures under a single ownership, may be served by either joint meters or individual meters for each structure, at the option of the owner.
- (c) Multi-tenant commercial, industrial, institutional, or governmental properties or structures may be served by either joint meters or individual meters for each tenant, at the option of the owner.
- (d) A single meter may serve multiple residential lots or properties if the District approved such an arrangement in advance and the customer has all necessary authorization to operate a public water system.
- (e) One meter may be used to provide water service to separate, non-rented, and primarily non-commercial structures on the same property, if they conform to applicable zoning and applicable Snohomish County and/or city regulations.

If joint metering is used, the customer shall be the property owner or another person who agrees to be responsible for the entire billing.

2.3.8 Multiple Meters

When a customer's service requires application of more than one rate schedule, one meter will be installed for each applied schedule. Each meter will be billed separately unless otherwise specified in a special contract.

The customer will be responsible for purchasing and installing any additional meters desired for customer purposes, and for placing such meters on the customer side of the District meter. Such meters shall be as approved in advance by the District, and shall be installed at the customer's sole expense, and in a manner and location as approved by the District.

The builder of a multiple-unit complex is required to permanently and accurately number meters and corresponding building units.

2.3.9 Meter Testing

The District will, at its own expense, inspect and test its meters as required to ensure a high standard of accuracy. Additional tests at the customer's request will be made; and if the meter is found to register within two (2) percent of accuracy, the District may charge a test fee (see Appendix B) for all such tests made at intervals more frequent than once in three (3) years. If the meter is found to register in excess of two (2) percent, fast or slow, the District will pay for the testing and will adjust the customer's billing for the known or assumed period of error, not to exceed the previous six (6) months.

2.3.10 Pressure Reducing Valves

Pressure reducing valves (PRVs) serve to protect customers' plumbing and appliances from damage due to high water pressure. A pressure reducing valve shall be installed when the District determines that water pressure at a service location exceeds 80 pounds per square inch (psi). The following conditions shall determine how the installation is performed:

- (a) For pressures greater than 80 psi, but not more than 120 psi, the customer may select one of the following options:
 - At the time the meter is installed, the District will install a PRV on the District side of the meter, for a one-time set fee (see Appendix B, Table B-1). After the PRV is installed, the District will be responsible for its maintenance, repair, and/or replacement at no additional cost to the customer. However, if the customer does not request the District to install a PRV at the time of meter installation, and later requests the District to install a PRV, the full cost of installation will be charged to the customer, rather than the set fee.
 - The customer may install his/her own PRV, or have a plumber install it, on the customer side of the meter, at the customer's expense. In this case, the property owner will be responsible for maintenance, repair or replacement.
- (b) For pressures greater than 120 psi:
 - At the time the meter is installed, the District will install a PRV on the District side of the meter, for a one-time set fee (see Appendix B, Table B-1). After the PRV is installed, the District will be responsible for its maintenance, repair, and/or replacement at no additional cost to the customer.

2.3.11 Booster Facilities

The District may boost service pressure via a customer-owned and maintained individual booster pump housed in a suitable location on the customer's property. This method of service shall only be considered in limited circumstances where: 1) a positive pressure of 30 psi cannot be provided during peak hourly design conditions; 2) a multiple customer booster facility is not feasible; and, 3) where the customer is located in close proximity to a storage reservoir that will provide positive pressure to the suction side of the individual booster during peak hourly demand flow and fire flow conditions. If these conditions are met, service shall be conditioned upon agreement to pay a Boosted Minimum Charge (see Appendix B, Table B-6) in addition to other applicable service charges. The property owner shall provide a suitable location, power supply, and suction/discharge piping in accordance with the District's Standards and Specifications. In addition, the customer shall sign a Boosted Service Agreement which outlines the terms and conditions of such service.

This section does not apply to design of water systems for new developments.

2.3.12 Cross-Connection Prevention

Cross-connections between the District's water service and any other source of water are prohibited, unless authorized by the District in combination with the use of a backflow-prevention assembly. Service connections and individual customer plumbing systems shall be constructed and maintained so as to prevent backflow of potentially contaminated water into a potable water system. The control or elimination of cross-connections shall be in accordance with the provisions of WAC 246-290-490, as modified from time to time.

The District reserves the right to inspect all customer water facilities to ensure that no cross-connections exist, in accordance with District policies on access to premises (see Section 2.3.6). At any time an unauthorized cross-connection is discovered and it is not immediately eliminated, that water service will be terminated until the cross-connection is eliminated.

2.3.13 Backflow-Prevention Assemblies

The District may, at its sole discretion, permit or require a customer to install a backflow-prevention assembly on the customer's plumbing system or service connection. Customers required to install backflow prevention assemblies include, but are not limited to, those who:

- (a) operate commercial or residential fire sprinkler systems connected to their plumbing;
- (b) operate an irrigation system connected to their plumbing;
- (c) maintain cross-connections of their water system with air-conditioning systems, medical equipment, or other devices or processes where chemicals, microorganisms, or other objectionable substances may be drawn into the water system;
- (d) own or maintain systems that, in the judgement of the AGM of Water Resources, compromise the health and safety of other users of the District's water system.

The entire cost of installing a backflow-prevention assembly shall be borne by the customer, and the assembly shall remain in the customer's ownership and as the customer's responsibility.

Periodic inspections and repairs of backflow-prevention assemblies, as required by WAC 246-290-490, shall be arranged by customers at their own expense, using firms or individuals who are licensed cross-connection control specialists. A signed copy of the inspector's completed report shall be provided to the District to confirm that assemblies are operating in a satisfactory manner.

Inadequate maintenance of a backflow-prevention assembly shall be grounds for termination of water service.

2.3.14 Relocation of Delivery Points

- (a) A customer's delivery point may be relocated at the customer's request, subject to advance payment of the estimated cost of relocating the District's service pipe, meter and other facilities. The customer shall be responsible for relocation of the service line to the new location. The District will disconnect the old service at the meter and connect the new service.

The District may reduce the costs to be charged to the customer for relocating any of the District's facilities, as requested by a customer, to the extent that such relocations may benefit the District. In determining the amount of such reduction, the District will give consideration to the remaining physical life of facilities or equipment replaced, the improvement to the system operations, and any increased revenue that will accrue to the District as a result of such relocations.

- (b) A customer shall be responsible for the relocation of a meter box when property alterations have been made which leave meter access or location unacceptable to the District. The District may disconnect service when the meter box is not satisfactorily relocated.

2.3.15 Resale

Customers may resell water only with prior, written District authorization. Rates charged may not exceed rates the District charges for similar service; provided, that the prohibitions in this Section shall not apply when resale is pursuant to the terms of a valid wholesale agreement entered with the District.

2.3.16 System Disturbances

Water service shall not be utilized in such a manner as to cause severe disturbances or pressure fluctuations to other customers of the District. If any customer uses equipment that is detrimental to the service of other customers of the District, the District may require the customer to install, at his/her own expense, equipment to control such disturbances or fluctuations.

2.3.17 Freezing

It shall be the customer's responsibility to protect from freezing all piping, fixtures and appurtenances on the customer's side of the point of delivery. Any damage resulting from freezing shall be considered the responsibility of the customer.

2.3.18 Interruption of Service

- (a) It is the District's intent to provide adequate and continuous service with minimum interruption. However, the District:
- does not guarantee against occasional curtailment or failure of water service;
 - shall not be liable for resulting injury, loss, or damage; and
 - shall not be considered in breach of contract for temporary interruption of service.
- (b) Repairs or improvements to facilities requiring temporary service interruption will be expedited and timed to minimize customer inconvenience. When possible, a preceding notice will be sent to the customer.
- (c) If the customer's water service fails, the customer shall endeavor to determine if the cause is on the District's side or the customer's side of the meter.

When the District responds to a customer call after service hours, and the problem is found to be with customer equipment, the customer will be charged a set fee for such response. (See Appendix B, Table B-10)

2.3.19 Additional Water Supply

A customer desiring a District change in the capacity of its service connection and meter to supply increased quantities of water shall notify the District sufficiently in advance so that the District may, if determined by it to be economically feasible, provide the facilities required to supply increased quantities of water. The customer shall pay in advance the cost of any such facilities.

2.3.20 District Representation by Employees

Except as specifically authorized in these policies and regulations, no promise, agreement or representation of any employee or agent of the District, with reference to the furnishing of water service by the District, shall be binding on the District, and in no event shall the same be binding on the District unless the same shall be in writing signed by the Assistant General Manager or his/her designee.

No inspector, agent or employee of the District may ask, demand, receive or accept any personal compensation for any service rendered to a customer in connection with supplying or furnishing water service by the District.

2.4 Meter Reading, Billing, Payment and Collections

2.4.1 Meter Reading

- (a) Meters will be read on monthly or bimonthly cycles at District option.

The District may alter or reroute its meter reading and billing cycle dates when such alteration or rerouting is in the best interest of the District.

- (b) Opening or closing readings may be prorated.
- (c) Special meters may be installed on any account when the nature of the customer's equipment and operation so indicates for correct rate schedule application and/or customer service improvement.

2.4.2 Multiple Delivery Points

The rates of the District are based upon the supply of service to the entire premises through a single delivery and metering point. Separate supply for the same customer at other points will be separately metered and billed. Unless otherwise specified in a contract, the District will not totalize metering of separate points of supply or services.

2.4.3 Billing

Bills will be sent to the mailing address furnished by the customer. Failure to receive a bill will not release the customer from the obligation to pay for services provided.

Bills will be issued monthly or bimonthly, depending on the reading cycle and assigned payment plan and generally will be based on exact meter readings. Bills may be estimated when:

- Meter is not accessible to meter reader;
- Meter is under snow or water;
- Meter malfunctions;
- Other circumstances beyond District control interfere with meter reading.

In the event that bills are estimated, an adjustment will be made at the time of the next regular billing that is based on an actual meter reading.

The District will send bills and notices by first class mail. A customer who does not provide a proper mailing address or a means of receiving mail, may be subject to disconnection.

2.4.4 Payments

The customer's obligation to pay a bill accrues on the date the bill is issued. Payment is due by the due date on the bill. Payments will be considered made when received at the

District office. Payments are to be accompanied by a billing remittance slip or account number.

2.4.5 Payment Plans

Customers will have an opportunity to keep water service accounts current through optional payment programs arranged through a customer service representative.

2.4.6 Adjustments

Pursuant to Resolution No. 4860 adopted by the Snohomish PUD Board of Commissioners on July 13, 1999, certain Water Resources staff have authority to grant adjustments when it is demonstrated that the cost of continuing to deny the customer's request substantially exceeds the amount in dispute and results in reduced customer satisfaction.

Authority Levels:

| | |
|--|-----------------------------|
| AGM of Water Resources | Up to \$500 each occurrence |
| Sr. Mgr., Water Resources Administration | Up to \$100 each occurrence |
| Water Utility Specialist | Up to \$20 each occurrence |
| Water Utility Associate | Up to \$20 each occurrence |
| Water Utility Administrator | Up to \$20 each occurrence |
| Water Services Liaison | Up to \$20 each occurrence |

- (a) In the case of incorrect application of rates, stuck meters, or clerical errors, retroactive billings will be made for the previous six billings on monthly-billed accounts, or three billings on bimonthly-billed accounts. In the case of billing to the wrong customer due to meter misidentification, adjustments will be made three years back.

A final balance (debit or credit) of less than one dollar may be routinely written off by the District. When it has been determined that a customer has received unmetered service or when the customer has caused the service furnished to be improperly or inaccurately metered, the District may render bills for such service based upon its reasonable estimate of the service actually furnished for the full period during which the service was unmetered or improperly metered, or as provided in Section 2.3.9. However, in those cases where the premises have been remodeled resulting in a situation whereby more than one customer is served by one meter, no adjustments will be made and the account customer of the premises shall be required to assume responsibility for the billing effective the last regular reading date unless another person agrees in writing to assume full responsibility for the billing.

- (b) A customer may be eligible for an adjustment to their water bill in the event of a loss of water through abnormal conditions when the cause is deemed by the District to have been undetectable and not resulting from a lack of normal maintenance by the customer. No adjustments shall be made in water charges for losses resulting from customer negligence, improper operation of plumbing by the customer, and/or failure of the customer's plumbing system. The section of service line qualifying for a potential leak adjustment is between the point of delivery at the meter box and the house or facility. Taps off the service line, and any leaks resulting from such taps (such as, but not limited to, irrigation, swimming pools, outdoor hose bibs), would not be eligible. The date that qualifies as "official notification" of a leak varies depending upon the circumstances.
- (1) If a District employee identifies a potential leak, written notification will be mailed to the customer. A door hanger may also be left in a prominent place at the residence. The date of the letter will serve as the "official notification" date.
 - (2) If the customer contacts the District regarding the possibility of a leak, a visit to the site address will be initiated. Upon verification of a qualifying leak, a letter will be mailed to the customer. The date of the letter will serve as the "official notification" date.

Once a leak has been identified, the customer will be provided with a ten (10) day period to conduct the repairs during which the adjustment period will continue.

The time period during which a customer could expect to receive an adjustment is from the "official notification" date back to the previous billing period and forward to include the ten (10) day period allotted for repair. Retroactive adjustments will not exceed the previous six (6) billings on monthly billed accounts or three (3) billings on bimonthly billed accounts.

The customer's water account will be adjusted by 50 percent for the excess amount of water used during the eligible time frame.

The methodology for determining excess amount of water over normal consumption will be determined by the previous years' history for an existing customer; an average use of 1,000 cubic feet per month will be used as the "normal use" base for new customers or customers without sufficient consumption history.

A customer is eligible for one leak adjustment per twelve (12) consecutive months, from the time of a previous leak adjustment. Additional adjustments may be provided if, in the District's opinion, a good faith effort was made by the customer to repair the leak and new circumstances have caused further leaking.

The AGM of Water Resources or his/her designee will be responsible and accountable for authorizing adjustments.

No adjustment shall be made in the water billing by reason of freezing.

2.4.7 Reminder Notices

Reminder notices will be sent on past due bimonthly accounts. An account is past due 15 days after billing date.

2.4.8 Disconnect Notices

- (a) Disconnect Notices for bimonthly accounts will be mailed approximately 15 days after Reminder Notices; and for monthly accounts, within two days after a regular bill shows an arrears. The notice will be for arrears only.
- (b) A brochure explaining credit, disconnect policies and customers' rights and remedies, will accompany each Disconnect Notice.
- (c) A fee may be charged when a field collection call is required and no disconnection is made. (See Appendix B, Table B-10)
- (d) Disconnection will occur following the due date on the notice unless:
 - The delinquent payment has been received at a District office by the due date.
 - A deferred payment agreement has been reached.
 - The customer has appealed the action and a hearing is pending.
- (e) Exceptions: In certain instances, where health, safety or essential services would be otherwise jeopardized, or for purposes of economy, the District may withhold disconnect notices.

2.4.9 Collection

While considering individual customer needs, the District is obligated to make prudent collections. Reasonable collection methods will be used, including disconnection of service, collection agency assignment, or legal action.

2.4.10 Extenuating Circumstances

- (a) The District will pursue a solution with customers temporarily unable to pay on time due to extenuating circumstances. The availability and terms of a deferred payment plan will be based on a review of the individual customer's situation, including:
 - Amount and age of delinquency.
 - Past payment record.

- Ability to pay.
 - Demonstration of good faith.
- (b) Employees will give customers available information on other resources for assistance, when appropriate.
- (c) Service will not be terminated for inability to pay when termination would be especially dangerous to health of a resident, as determined by the District so long as the customer has made application to appropriate agencies for assistance and payment is pending.

2.4.11 Insolvent Accounts

If the District has reasonable cause to believe a customer to be insolvent, in financial difficulty or contemplating bankruptcy, appropriate action may be taken to secure payment of charges due. Requirements may include an adequate security deposit, altered payment schedule, or other actions deemed necessary and reasonable by the District.

2.4.12 Transfer of Unpaid Balances

A water service customer's previous unpaid balance may be transferred into any current water or electric service account of the same customer and same type as part of current obligation and subject to the District's requirements for payment. The customer will be notified of:

- Transferred balance.
- Date and location of service of unpaid account.
- Impact of future service.

2.4.13 Credit Notice Suppression Indicator

In the interest of economic operation and general public health and safety, the District may load a credit notice suppressor indicator to various accounts. For economic reasons, the District General Manager may authorize the use of a suppressor indicator on the accounts of governmental agencies. For general public health and safety, customers dependent on medical life support system, hospitals, telephone switch stations, sewer lift stations, etc., the District General Manager may authorize the use of a suppressor indicator on any such account.

2.4.14 District Pay Stations

- (a) Pay stations may be established for the purpose of collecting customer payments throughout the District's service area with the approval of the District's General Manager or his/her designee.

- (b) The agent will prepare collection reports in duplicate. The original cash report, remittance slips and receipts will be mailed twice a week to the Public Utility District No. 1 of Snohomish County, PO Box 1107, Everett, WA 98206.
- (c) The agent will be responsible for all money paid by the customer.
- (d) The agent will accept payments only for those accounts that are accompanied with a billing remittance slip or the customer's account number.
- (e) The agent will not accept second party checks for payment of an account.
- (f) The District will pay the agent a set fee per remittance slip for each collection.
- (g) The District will furnish without charge, all necessary stationery, supplies, and prepaid postage envelopes for mailing of the daily collection reports to the District.

2.5 Dispute Resolution

2.5.1 Mandatory Hearing

Any customer or other person who believes that he/she has been adversely affected by a decision which the District has made to:

- (a) Terminate the delivery of water service (i.e., disconnect the customer); or
- (b) Refuse to deliver water service (i.e., not connect the customer); or
- (c) Require the customer to pay for water service previously delivered (i.e., transfer an outstanding balance to a new water or electric account); or
- (d) Require the customer to make periodic payments in specific amounts to pay for water service previously delivered as a condition of receiving water service (i.e., require a payment plan); or
- (e) Require the customer to provide security as a condition of receiving water (i.e., require a security deposit); or,
- (f) Require the customer to pay a fee or penalty; (e.g., reconnection fee, account service fee, etc.);

Has the right to have that decision reviewed in a hearing to be held by a District Hearing Officer.

2.5.2 Discretionary Hearing

The District may, at its discretion, with the approval of the General Manager or his/her designee, provide a hearing to any customer who believes he/she has been adversely

affected by any decision of the District on any matter other than the decisions listed in Section 2.5.1.

2.5.3 Binding Decision

The decision of the Hearing Officer shall be final, unless either party elects to challenge the decision in a court of law.

2.5.4 Written Hearing Request

A request for a hearing must be made in writing signed by the customer or by someone with legal authority to act on the customer's behalf. Each hearing request must include a short and plain statement of both the decision to be reviewed and the relief which the customer is requesting. In addition, each hearing request must include an address to which notices, including notice of the hearing date and location, the decision of the Hearing Officer and any other written communications may be mailed to the customer.

2.5.5 Delivering Request for Mandatory Hearing

The customer's written request for a mandatory hearing must be delivered to the District's Office of General Counsel, Customer Service Department, or to the Senior Manager, Water Resources Administration.

2.5.6 Delivering Request for Discretionary Hearing

If the District has informed the customer that it will provide a discretionary hearing, the customer's written request for a discretionary hearing must be delivered to the District's Office of General Counsel or to the office of the District official who agreed to provide the hearing.

2.5.7 Hearing Date

The Office of General Counsel will determine the date and time of the hearing, which shall be held at the District's Central Administrative Office Building within ten (10) business days after the hearing request is received in General Counsel's office: PROVIDED, that a hearing date will not be established if the written hearing request does not include an address to which notices to the customer may be mailed or if the written hearing request is, in the opinion of the Office of General Counsel, otherwise materially deficient.

2.5.8 Notice of Hearing

The Office of General Counsel will mail notice of the hearing or, under the circumstances described in Section 2.5.7 above, notice that a hearing date will not be established by first class mail, postage prepaid, to the customer at the address set forth on the hearing request within three (3) business days after the hearing request is received in General Counsel's office.

2.5.9 District's Action Stayed Pending Receipt of Written Request for Hearing

If a customer:

- (a) Contacts the District within three (3) business days after receiving notification, whether written or oral, of a decision of the District; and
- (b) Is orally informed that the customer may have a hearing to review that decision; and
- (c) States, within one (1) business day after being informed that a hearing is available, that the customer intends to request a hearing;

Then, as a result of the statement of intent, all District action which would be taken as a result of the decision shall be stayed until the written request for a hearing is received by the District or for a period of six (6) business days after the date upon which the customer orally stated that a hearing would be requested, whichever is earlier.

2.5.10 District's Action Stayed Pending Hearing

If the District receives a written request for a hearing within the time set forth in Section 2.5.9 above, all District action which would be taken as a result of the decision shall be stayed until Noon five (5) business days after the Hearing Officer's written decision on the matter is received by the Office of General Counsel: PROVIDED, that if a hearing date is not established for a reason set forth in Section 2.5.7, District action will not be stayed.

2.5.11 Security Deposit Pending Hearing

If a customer requests a hearing to dispute a debt for water service which exceeds \$1,000 and the customer wishes to receive water service until the hearing is held, the customer must provide security for the water service to be provided by the time the written request for a hearing is delivered to the District. The amount of security will be the amount of money that will reasonably accrue from the usage of water, based upon prior usage at the facility involved, from the date the customer orally informs the District that a hearing will be requested until thirty (30) days thereafter.

2.5.12 Performance Pending Hearing

All obligations which are not the subject of the dispute to be decided by a Hearing Officer shall be performed by the District and/or the customer. This shall include, in the case of a dispute over amounts to be paid, the payment of all non-disputed amounts.

2.5.13 Failure to Appear

If a customer fails to appear for a hearing within fifteen (15) minutes after the time set forth in the notice of hearing, the customer will be in default, and the Hearing Officer

shall decide the disputed matter in favor of the District and the customer shall be required to pay a penalty (see Appendix B, Table B-12) which may be added to any existing account of the customer. If the customer fails to appear, the customer's request for another hearing will not be granted unless the failure to appear was caused by an emergency or because of the occurrence of an unforeseeable circumstance or event, which shall be determined by the Office of General Counsel, and the customer pays the penalty prior to the subsequent hearing. In such case, the subsequent hearing must be held within five (5) business days of the original hearing.

2.5.14 Continuances

Any request for a continuance shall be made to the Office of General Counsel, which shall grant such a continuance only in the case of an emergency or because of the occurrence of an unforeseeable circumstance or event. Any request for a continuance made by a customer which is not received at least twenty-four (24) hours (i.e., one complete business day) before the scheduled hearing may result in an award in costs to the District (see Appendix B, Table B-12) which may be added to any existing account of the customer.

2.5.15 Representation

A customer may represent himself/herself or may be represented by an attorney, relative, friend, or any person other than a District employee. The District will not be represented by an attorney unless the customer is so represented. If the customer is to be represented by an attorney, the customer must inform the District of that fact at the time the written request for a hearing is delivered to the District, or if the services of an attorney are procured later, then as soon as such representation is arranged.

2.5.16 Evidence

The Hearing Officer may consider evidence which will assist the Hearing Officer in reaching a decision and may give effect to the rules of privileged communications (e.g., attorney/client privilege, husband/wife privilege, etc.) under the law. Information that is irrelevant and unduly repetitious may be excluded. Documentary evidence may be received in the form of copies or excerpts. Each party shall have the right to ask questions of persons who make statements at the hearing.

2.5.17 Legal Authority

The Hearing Officer shall apply as the first source of law District Resolutions, Code and Regulations. If none of these govern or decide the issue(s) presented, the Hearing Officer shall resolve the issue(s) on the basis of the best legal authority and reasoning available, including that found in the state and federal constitutions, statutes, and court decisions.

2.5.18 Limitation on Authority

The Hearing Officer shall not have the power to declare a District Resolution, Code provision, regulation or any portion thereof invalid for any reason, but may allow argument to be made for purposes of subsequent review.

2.5.19 Review of District Action

If the dispute involves a question of whether the customer is indebted to the District, the District must establish the customer's obligation by a preponderance of the evidence. If the dispute involves a question of whether a District decision is inconsistent with the regulations of the District, the customer must establish that the District's decision is a willful and unreasonable action made without consideration and in disregard of facts and circumstances.

2.6 Rates, Fees and Charges

2.6.1 Service Connection Charge

- (a) A Service Connection Charge (SCC) shall be charged to all New Customers connecting to District facilities, and to all existing customers requesting additional service work. The amount of the SCC is shown in Appendix B, Table B-1.
- (b) Additional costs for services may be required if the service will be connected to a main previously constructed, under the District's line extension policy (see Section 3.3).

2.6.2 General Facilities Charge (GFC)

A General Facilities Charge (GFC) is applied on new service connections to compensate for costs the District incurs in construction or acquisition of water system general facilities, (i.e., source, storage, treatment and transmission facilities); required to support the addition of the new customers. The GFC amount is based on the demand a new water service connection is expected to place on the water system (see Appendix B, Tables B-2 and B-3). Equivalent Residential Units (ERU) will be used to represent the demand a given service will place on the District's water system and consequently that service's respective share of the costs of the District's water system general facilities. The following procedures apply to payment of the GFC:

- (a) All New Customers connecting to a District water main or expanding their service connection shall pay a GFC, except as follows:
 - (1) The GFC shall not apply to extensions, new developments, or subdivisions where water facilities are financed under the LUD process (see Section 3.3.2).

- (2) If a New Customer provides documentation, acceptable to the District, that the applicable GFC for such customer's requested connection has already been paid through past payment by a Developer, or other means, the GFC shall not be applied.
- (b) Where construction of a development or subdivision requires connection of a new Developer-installed main extension to the District's water system, the Developer has the option of paying the total applicable GFC for all lots at the time of conveyance of the main extension to the District, or deferring payment of the GFC applicable to any individual lot until the earlier of either when such lot is sold or when a service connection is requested for such lot (see Appendix B, Table B-2).
- (c) Where a development or subdivision is constructed within the boundaries of the District's integrated water system, but connection with the District's integrated water system is deemed by the District in its sole judgment to be impracticable at the time of construction, such development or subdivision may construct and utilize a separate, temporary water supply, storage and distribution system, to be owned and operated by the District. Such system shall be attached to the District's integrated water system at District cost at such time that the District deems attachment practicable and appropriate. The Developer of the development or subdivision has the option of paying the GFC at the time of conveyance of the new distribution system to the District, or deferring payment of the GFC applicable to any individual lot until the earlier of either when such lot is sold or when a service connection is requested for such lot (see Appendix B, Table B-2).
- (d) When the Developer chooses to defer the payment of the GFC, an adjusted GFC amount shall be applicable in order to permit the District to recover administrative costs and interest costs associated with delayed payment (see Appendix B, Table B-2).
- (e) When the Developer chooses to defer the payment of the GFC, the Developer shall note on the final recorded plat that GFC is owed and the District shall file a lien against all lots within the plat. The applicable lien to any specific lot shall be released upon payment of the GFC applicable to such lot.
- (f) The District shall determine the appropriate number of ERUs to be assigned to any and all New Customer connections. The General Facilities Charge for a subdivision constructed under the circumstances described in subsections b and c above where the Developer has chosen to pay the GFC at the time of conveyance to the District of the Developer-installed main extension or water distribution system, shall be based upon the total of the estimated number of ERUs assigned by the District for each parcel of property in the development or subdivision. If the use classification or the number of dwelling units for any parcel changes between the date of the estimate and the date of application for service to such

parcels, causing a change in the estimated ERUs applicable, the General Facilities Charge shall be recalculated accordingly. The recalculation shall be based upon the new number of ERUs. If the recalculated General Facilities Charge is greater than the original payment, the applicants for service to parcels which have a different use classification or a different number of dwelling units shall pay the difference between the recalculated General Facilities Charge and the estimated General Facilities Charge. No refunds will be made by the District where the recalculated charges are less than the original payment.

In recalculating the General Facilities Charge, the rates in effect at the time of the recalculation shall be used; and for purposes of calculating the difference that the applicant shall pay, the estimated General Facilities Charge shall be recomputed based upon the rates then in effect.

- (g) The General Facilities Charge shall also apply to an LUD or to the identified and assessed individual properties contained therein at the time of formation. Properties within an LUD are subject to the applicable LUD GFC. However, once an LUD has been established and the final assessment roll confirmed, any additional individual water service customer within an established LUD requesting a new water service connection or adding to the number of ERUs to be served by that customer's existing water service connection shall be deemed a "New Customer," and be subject to the General Facilities Charge imposed at the time of connection (see Section (h) below).
- (h) In all cases, the GFC paid shall be based upon the GFC in effect on the date of payment.

2.6.3 Distribution System Charge (DSC)

The Distribution System Charge (DSC) is assessed to compensate for costs the District and its existing customers have paid to install the system's existing local distribution network, or for the costs of installing new distribution lines required to support the addition of the new customers.

The DSC applies to each New Customer connecting to a District-owned water main when such New Customer has not contributed to the cost of the water main either through an LUD assessment, other charge imposed by District policy, or through purchase of an individual parcel specifically for which the water main extension was originally installed. The DSC also applies to each New Customer within satellite systems in cases where the conditions for District acquisition of the system include payment of the DSC.

Depending on the type of development, the DSC is calculated as either a standard charge per connection, or as a charge based on front footage. The DSC for various types of service is shown in Appendix B, Tables B-4 and B-5.

Payment of the DSC is required with regard to each of the following situations:

- (a) Whenever construction of a development or subdivision includes connection to a District main **and** extension of a new or the replacement of an existing main by the developer along the entire frontage of the proposed development or subdivision is **not** required, a DSC shall be imposed upon the Developer.
- (b) Whenever a lot for which a DSC has been paid is subdivided, and additional water connections are made to serve the new lots created by subdivision, an additional DSC shall be collected from the Developer or each New Customer connecting to a District main.
- (c) Whenever a New Customer connects to a District main under an Interim Connection Agreement (ICA), a DSC shall be imposed.

Where applicable, a DSC collected from a New Customer shall be paid as reimbursement to the individual or developer responsible for installation of the water main, in accordance with Section 3.3.9 of this manual.

In the case of a New Customer connection to a water main installed through a completed LUD process, the DSC collected shall be paid as reimbursement to the District; the DSC shall be equal to the apportioned distribution system cost assessed to each participating LUD property, or the current DSC amount, whichever is greater.

2.6.4 Rate Schedules

- (a) The District has rate schedules for particular types of service provided. A summary of these charges is provided in Appendix B. For specific detail, refer to the Rate Schedules. In case of conflict between the provisions of any rate schedule or special contract and this Policies and Procedures Manual, the provisions of the rate schedule or special contract shall apply.

2.6.5 Non-Standard Service Charges

- (a) The District shall charge private parties and public entities for services rendered by the District on behalf of such private parties or public entities.
- (b) For services not covered by standard fees or charges, The rate charged for services (the “service rate”) rendered by District personnel shall be the hourly rate for the position, including benefits, plus overhead.
- (c) Equipment shall be billed at reasonable rates consistent with retail rental rates for like equipment in the greater Seattle-Tacoma-Everett area. Such rates will be established by the Assistant General Manager of Water Resources, on a case-by-case basis, by obtaining three or more estimates from private rental firms in the area.

2.6.6 Account Service Charge

- (a) An Account Service Charge (see Appendix B, Table B-10) is to be billed during processing of each service application, except for:
- Initial meter installation for service to a premise.
 - Services or meters added to existing premises or account by new service application.
 - Initial temporary meter and service for construction.
 - Name changes when no closing bill is requested or required.
 - Owner/agent agreement with owner/agent assumption of responsibility for service between tenants.
 - Disconnection of an account for nonpayment and reconnected subject to a reconnection fee.
 - Name changes between husband and wife.
 - Name changes between the deceased customer and estate.
- (b) A credit of the account service charge may be given in those cases where a customer has cut-in to an account in error.
- (c) The customer is to be advised of the account service charge at the time the application is taken.
- (d) The account service charge is to be billed within ten (10) days from the date the application was taken.
- (e) The following procedures shall be followed:
- Separate applications for service when billed on different account numbers at the same address -- one charge for each account, unless separate accounts are established for District convenience.
 - Electric and water service on one account -- one charge.
 - Multi-service account -- one charge for each additional meter reconnection after the initial application.
 - Multi-metered complex (e.g., apartment house) --
 - One charge per account for general use areas.
 - If no general use account, one charge per building to initiate service for one or more nonrented units.

2.6.7 Records Research Charge and Public Information Requests

The District will make information and records available to the public for inspection and copying in accordance with RCW Chapter 42.17, the Washington Public Records Disclosure Act, and District Policy.

Information and records concerning water service, including rates, charges, connections, disconnections, construction, installations, engineering, policies and procedures may be obtained from Water Resources, located in the District's Headquarters Building, 2320 California Street, Everett, Washington. Requests for public records will be handled in compliance with provisions of the District's policy on Access to Public Information and Records. No fee is charged for inspection of public records on the premises, however, the District imposes a charge for providing copies of public records. Such charges do not exceed the actual costs of copying.

2.6.8 Disconnection/Reconnection Charge

- (a) Whenever water service has been disconnected for noncompliance with the Policies and Procedures, for nonpayment, or for fraudulent use, the service will not be reconnected until the situation requiring such action has been corrected to the satisfaction of the District. A reconnection fee (see Appendix B, Table B-10) shall be charged for reconnection during regular business hours. A higher fee shall be charged for reconnection at all other times including weekends and holidays (see Appendix B, Table B-10). As appropriate, the customer will be preadvised of these fees.
- (b) When an account requires the physical reconnection of both electric and water, the total charge will include components for each type of service (see Appendix B, Table B-10).

2.6.9 Discounts

The District does not currently offer discounts for water service.

2.6.10 After Hours Connection Charge - New Customer or Vacant Account Reconnect

- (a) For connection requested to be completed during the hours of 5 p.m. to 8 am, or during weekends or holidays, customers will be advised at all times that there will be an after hours connection charge (See Appendix B, Table B-10) in addition to the Account Service Charge.
- (b) When an account requires the physical reconnection of both electric and water, an additional charge will be imposed for the electrical component of the work (See Appendix B, Table B-10).

2.6.11 After Hours Service Charge - Established Customers

Established customers will be advised at all times of a charge (See Appendix B, Table B-10), plus material cost and tax, if a water serviceperson is dispatched to the customer's premise, at the customer's request, during other than normal business hours (5:00 p.m. to 8:00 am and weekends and holidays) and it is determined that the problem is caused by a failure of the customer's facilities.

2.6.12 Returned Check Charge

An accounting service charge (See Appendix B, Table B-10) may be made to each water service account for which payment has been received by any check or legal tender which is subsequently returned to the District by the bank for irregularities, lack of sufficient funds in the payer's checking account or the customer having closed the account.

2.6.13 Field Collection Call Charge

Whenever it becomes necessary for a District representative to make a collection call at the customer's premise(s) to enforce payment of a billing or security deposit, a field collection call charge (See Appendix B, Table B-10) will be made.

2.6.14 Security Deposits

- (a) Security deposit may be required of a customer at application or later for any of the following reasons:
 - Incomplete or improper application.
 - Misrepresentation of identity.
 - Tampering with District equipment.
 - Bankruptcy petition.
 - No established credit.
 - Payment record.
- (b) A notice will be mailed to the customer when a security deposit is required, showing the amount, due date and customer rights to appeal.
- (c) Payment or acceptable collateral is due as stated in notification unless other arrangements are made within that period.
- (d) Amount of deposit will not exceed the actual or estimated maximum billing for two consecutive months within a 12-month period.
- (e) Refund or application of deposit plus interest may be made, based on evaluation of customer credit history, after 12 months experience with residential customers and 24 months with nonresidential customers.
- (f) At termination of service, an existing deposit will be refunded, plus interest, less outstanding amounts due.

- (g) Transfers: When a customer relocates and reapplies for service, an existing deposit may be carried over to service at the new location and may be adjusted, depending on the circumstances.
- (h) Interest: Simple interest will be paid on all deposits, as set by the Commission.

2.6.15 Charge at Cost for Nonstandard Service

Customer shall pay the cost of any special installation necessary to meet the customer's particular requirements for service at other than standard pressures, or for closer pressure regulation than would normally be provided at the location involved.

2.6.16 Surcharges

By action of the Board of Commissioners, the District may impose surcharges on monthly or bimonthly customer rates, to fund capital improvements or operations and maintenance. Surcharges may be imposed on all District customers, or on customers in selected pressure zones, satellite systems, etc., according to the benefits derived from the capital improvements or the operations and maintenance activities funded.

2.7 Violations

2.7.1 Unauthorized Taking of Water, Tampering with Equipment, and Unauthorized Connection to the District's System

When appropriate, the District will seek prosecution for theft of water, destruction of District property and other violations of law affecting delivery of its services, and may pursue collection under RCW 80.28.240 for its losses, damages, and costs related to such actions to the full extent provided by law. In addition:

- (a) There may be levied an investigation or service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall take water or knowingly received the benefit of water taken from any water line, reservoir, or fire hydrant, or any facility of the District without the District's consent and without first having obtained from the District a permit to take such water. Such sum shall be due and payable immediately upon the taking of such water.
- (b) There may be levied an investigation, service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall tamper with any water meter, fire line meter, service line, or any meter related appurtenances of the District. Such sum shall be payable at the time of discovery by the District of such tampering.
- (c) There may be levied an investigation, service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall take water from an angle stop, service lead, angle check valve, or related appurtenances intended for a future meter installation without consent from the

District to take such water. A meter will not be installed to serve such property until such charge is paid together with the standard meter installation fees. If a meter application has been purchased from the District and, prior to installation of such meter, it is determined by the District that water has been taken in violation of this section then such meter will not be installed and the meter application will be held until the purchaser of such meter application pays the charge.

- (d) There may be levied an investigation, and service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall operate any valve in the District's system without the District's consent. Such sum shall be due and payable at the time of discovery by the District of such unauthorized operation.

2.8 Fire Protection

2.8.1 Commercial Fire Protection Service

- (a) Application for water service for the sole purpose of commercial fire protection must be made by completing and signing a standard application form.
- (b) The minimum charge shown on the District's rate schedule includes water for fire protection use only. The monthly rate of water used, except for fire protection, will be double the regular-metered service water rate applicable to that certain customer.
- (c) Service charge for new fire protection service connection.
 - The customer must pay the cost, including installation costs, from the customer's premises to an existing main of the District.
 - The customer must pay the cost of a detector check and meter, plus the cost of installation.
 - Services to be used for fire protection exclusively may only be fitted with fixtures that will be used for fire protection and shall not be connected to any fixtures that will be used for other purposes. Customers having such services shall be charged not less than the minimum standby service charge as established from time to time by resolution of the Board of Commissioners. In no case shall any connection be made upon any service line, tank or other fixture installed exclusively for fire protection for any purpose except the fire service or through any pipes, tank or other fixtures reserved for fire protection be permitted for any purpose except the fighting of fires. To protect against water being drawn from a fire service for any purpose other than the fighting of fires, the District may install a detector meter on such service and charge all costs of such installation to the property and the customer.

2.8.2 Hydrant Installation

The District will install hydrants on existing District water mains, at the request of one or more customers if the mains are of sufficient capacity to provide adequate fire protection with costs borne by the customer(s). The type of hydrant and location shall be as specified by the District, which shall include the requirements established by appropriate jurisdictional agencies, regulations of Snohomish County, and the Snohomish County Coordinated Water System Plan, whichever is stricter.

Upon request, the District will prepare an estimate for the total cost of the installation of a hydrant. Upon payment of this estimated amount, the District will make the installation. On completion of the work, the customer will either be refunded or billed the difference between the estimated amount and the actual cost. At the District's option, this work can be done at a contract price to be paid in advance.

2.8.3 No Guarantee of Adequate Water for Fire Protection

Notwithstanding the provisions contained in these schedules for commercial fire protection service, or for other metered service, including water furnished to any fire hydrant or other equipment used, or which may be used for fire connection service, it is understood that the District cannot guarantee any minimum quantities of water or pressure of the water to be furnished to any of such hydrants or outlets, 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 to such hydrant or outlet.

2.9 Special Arrangements for Short-Term Water Usage

2.9.1 Temporary Water Service

At the District's discretion, temporary water service may be provided to accommodate special needs for water at a fixed site on a short-term basis (e.g. on-site needs for construction activities). Temporary water service may be provided from a District main or from a fire hydrant specifically designated for this purpose by the District (see Section 2.9.2). Only District personnel are authorized to install a connection to a District main or fire hydrant for this purpose.

Temporary service may be authorized for a period not exceeding six months at a time. Upon expiration of the initial six-month period, a customer may request an extension of temporary service for one additional six-month period. No more than one extension will be granted, unless authorized by the AGM of Water Resources.

A customer obtaining temporary water service will not be required to pay a SCC, GFC, or DSC. However, a customer obtaining temporary water service will be required to pay a deposit for the estimated costs of installation and removal of the equipment required for temporary service, as well as a damage or security deposit. In addition, temporary service will be metered and the customer shall be required to pay both a meter-reading charge and a charge for water usage in accordance with the appropriate rate schedule (see

Appendix B, Tables B-6 to B-8). Arrangements for metering and billing will be established on a case-by-case basis.

Upon termination of temporary service, the District will disconnect the temporary water service and take possession of the associated District equipment, or, if appropriate, convert the temporary service to permanent water service. Following disconnection or conversion, and payment of all outstanding charges for water usage, the District shall return any surplus of installation and removal charges that exceed the actual costs incurred by the District. In addition, the District shall refund any damage or security deposits, less the amount needed to replace or repair District equipment. However, in the event the customer fails to pay outstanding charges for water usage, the District may retain an amount equal to such outstanding charges.

2.9.2 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 2.7.1, any person violating this provision shall pay for the amount of water used, as estimated by the District and based on the applicable rate schedule.

At the District's discretion, authorization may be granted to take water from a fire hydrant connected to the District's water system. Procedures for authorizing use of fire hydrants shall be as follows:

- (a) When a customer desires to use a fire hydrant for Temporary Water Service (short-term water service at a fixed site) the procedures in Section 2.9.1 shall be followed. The customer shall utilize only the hydrant specifically designated by the District for this purpose, and will obtain water through a separate valve installed by the District on that hydrant.
- (b) When a customer 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 hydroseeding or public works maintenance vehicles), the following procedures shall apply:
 - The customer shall obtain a Hydrant Use Permit from the District. A permit will be issued either for a daily (one to three days); monthly; or six-month period. The customer shall pay a fee established by the District for the Permit (see Appendix B, Table B-10). However, at the District's discretion, the fee may be adjusted if the quantity of water deviates by more than 50 percent from the following:
 - Daily Permit 2,500 gallons total
 - Monthly Permit 10,000 gallons total
 - Six-Month Permit 10,000 gallons/month

- Metering will not be required for this type of use. A charge for water use shall be included in the Permit fee.
- The customer shall utilize only those hydrants specifically designated by the Hydrant Use Permit.
- The customer shall utilize a backflow-prevention device approved by the District. As a condition of obtaining a Hydrant Use Permit, the customer shall permit District inspection of equipment to be used, to ensure backflow-prevention devices are adequate.
- The customer 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 customer shall display this placard in a prominent position clearly visible from the street. The customer shall not provide this placard to any other person.

Section 3

Extension Policies

Section 3

Extension Policies

3.1 Introduction

3.1.1 General Provisions

The District will provide facilities for the distribution of water within its service areas in accordance with approved land use plans, policies or other regulatory requirements governing service provisions. Extension of a system to serve additional customers, properties, tracts, or subdivisions will normally be paid for by the individuals that are benefited.

An applicant (hereinafter "Applicant" or "Developer") for an extension will normally be responsible for financing the entire cost of an extension. Costs include new facilities, replacement of existing system components when necessary for making the extension or improvement, and upgrades to meet requirements such as fireflow which are associated with the applicant's project. Over-sizing water system components as outlined below, however, will not be charged to the applicant. Reimbursement or credit against District charges is available in some circumstances.

All water facilities must be located on property owned by the District, public rights-of-way, or dedicated easements; must be transferred to the District's ownership for operation, maintenance, and service responsibilities; and will be subject to maintenance bonding requirements.

3.1.2 Application of Policies and Procedures

In specific instances, the Assistant General Manager may, at his/her discretion, waive or modify the application of the policies and procedures described herein, including the application of standard fees and charges, provided that such waiver or modification allows for more effective or efficient achievement of District goals, objectives, and overall policies. Conditions for waiver or modification of the application of these policies and procedures as contained in Section 1.4 of this Manual.

3.1.3 Standards and Specifications

Water system extensions, improvements, or new facilities must be constructed in accordance with the District's Standards and Specifications for Design and Construction (Appendix A). Copies will be furnished by the District upon request. It is the responsibility of the Developer to ensure that the latest version of the Standards and Specifications is used.

The Standards and Specifications have been developed as professional, technical guidelines for guiding system design and installation. The Assistant General Manager may modify the Technical Standards and Specifications, to maintain consistency with changing technology and industry standards. In addition, the Assistant General Manager may waive strict application of the Standards and Specifications in certain instances, provided that the resulting design or construction is approved by the District, and remains consistent with the goals and objectives expressed in this Manual.

3.1.4 Notification

The contractor shall schedule a pre-construction conference and notify the District at least five (5) working days prior to commencing work. All work shall be inspected by the District. Contact the District water shop at (425) 783-8916 to schedule all tie-ins at least three (3) days in advance.

3.2 Administrative Procedures for System Extension

3.2.1 Plan Approval Required

All plans for extensions, improvements, or additions to water facilities must be approved by the District prior to construction.

3.2.2 Application

Requests for extension or improvement of a District water system to serve newly developed and/or existing properties shall be made by applicants or their agents using the District's application format. Each application shall contain a legal description of the property to be served and be accompanied by two (2) copies of preliminary plans, showing the location of all water lines, hydrants, and valves needed to serve the area.

It is recommended that Applicants schedule a meeting with District Engineering staff to discuss the proposed project, prior to completion of the application.

3.2.3 District Review

The District will review the application and associated plans. A Plan Review Fee, as described in Section 3.3 (see Appendix B, Table B-11), will be assessed to compensate for review services.

The applicant will be notified of the feasibility of the service requested, conditions for construction, and any additional facilities (e.g. water source, storage, booster stations, water main upgrades, etc.) that may be required as a result of the proposed extension/development. Additional special requirements such as cross connection control devices or backflow prevention assemblies shall also be specified. This process will enable an applicant to estimate more accurately, construction costs and District charges.

If fireflow is required, in some instances, the plan must be approved by the appropriate Fire Marshal.

In all cases where a road right-of-way will be used for mains or other improvements, the appropriate city or county governmental agency must also approve the plan.

At the District's option, engineering design services may be provided by District staff at the application stage. A fee will be charged for such services (see Section 3.3).

3.2.4 Extension Agreement

If a project is accepted, the applicant shall then execute an Extension Agreement with the District which will specify the terms and conditions of the extension or system improvement in accordance with the District's standards. Extension agreements must be signed by the Assistant General Manager or his/her designee.

3.2.5 Submittal of Plans and Specifications

At the time the Extension Agreement is submitted, two (2) sets of detailed plans and specifications shall be submitted by the applicant to the District for review and approval. All drawings and specifications must be stamped by a registered Professional Engineer licensed in the State of Washington.

As the project progresses, any deviations from originally approved plans and specifications shall be approved in advance by the District in writing, and recorded. Updated plans must be provided to the District.

3.2.6 Permits, Easements, and Approvals

At the District's option, the applicant may be required to prepare all necessary documentation for permits, easements, and approvals. These could include, but are not limited to, lane closure, building, grading, drainage, shorelines, conditional use, variance, Department of Health, Parks & Recreation trail crossing, and railroad agency permits. The District will ordinarily prepare documentation for Right of Way permits. The required documents shall be provided to the District, which will submit them to the appropriate agencies for processing. Any fees levied for permit processing shall be paid by the applicant.

The Developer's contractor shall secure all permits and authorizations required from local and State agencies and disposal sites related to asbestos work, removal and disposal, including but not limited to submittal of a written "Application to Perform an Asbestos Project" to Puget Sound Clean Air Agency. No work on asbestos-cement pipe shall proceed without proper permits, certifications, worker protective clothing and breathing apparatus, and approved asbestos disposal bags. Prior to commencing work on asbestos-cement pipe, the contractor shall provide the District with a copy of any "Application to Perform an Asbestos Project," which has to be filed by the contractor with the Puget Sound Clean Air Agency relating to work under this specification. The

cost of asbestos related permits shall be paid by the contractor. A copy of any required permit(s) shall be available at the project site at all times.

The Developer's contractor shall comply with all provisions of any applicable permits.

A copy of the appropriate plans, specifications, and all required permits shall be maintained on the project site at all times during construction.

All District facilities shall be installed within the city/county right-of-way or in a District approved easement. The Developer, at the District's option, shall either supply the District with the legal description of the easement (as-built) and shall pay the costs incurred by the District to do all title work, to prepare easement, and to file and record the legal easement prior to District final acceptance, or prepare, obtain and convey all said easements to the District at the Developer's sole cost.

3.2.7 As-Built Drawings

Upon completion of the project, two (2) sets of revised as-built drawings and specifications, and an additional set in a digital format compatible with the District's computerized design system, shall be provided to the District at the applicant's expense. As-built plans must show all new water facilities and related appurtenances which, at a minimum, shall include the locations of all mains, valves, hydrants, and fittings giving sizes and types of each. The drawings shall show the exact location of water mains including distances of mains from property lines.

A registered Professional Engineer licensed in the State of Washington must stamp all drawings and specifications, including as-builts, and complete a Department of Health Construction Report form to be filed by the District.

3.2.8 Final Acceptance

Upon completion of construction, applicants or their contractors shall notify the District and request a final inspection for approval of the project. The District will issue a Letter of Final Acceptance of the main extension, improvement or water facility, provided that:

- (a) the water main has been installed according to the approved plans and specifications;
- (b) pressure and bacteriological tests have been passed;
- (c) all permit conditions have been satisfied;
- (d) all extension policy conditions have been fully satisfied;
- (e) all fees required by the District and other entities have been paid;
- (f) all easements are recorded at the county or shown on the face of the final plat map;

- (g) all necessary bonding is in place;
- (h) a new mylar drawing is provided which reflects as-built conditions;
- (i) digital copy of as-built water plan is provided on 3.5-inch floppy disk;
- (j) "Bill of Sale" is executed and accepted by the District.
- (k) Submit a completed Department of Health "Construction Report for Public Water System Projects" to the District for filing.

The date of the letter will begin the period of warranty. The final acceptance shall not constitute acceptance of any unpaid for, unauthorized, defective, omitted, or non-conforming work or materials. Final acceptance shall not prevent the District from requiring the applicant to pay for, remove, replace, dispose, or add work or materials or prevent the District from recovering damages for any work or materials or lack thereof.

In the event that a letter of credit or similar financial instrument has been provided as a means of guaranteeing project completion, and at the District's option, a Letter of Final Acceptance may be issued without meeting the conditions listed above. In order for this option to be exercised, the terms and conditions described in Section 3.2.9 must be met.

3.2.9 Letter of Credit

If requested by a Developer for his/her convenience, the District may elect to accept a letter of credit, or equivalent financial instrument, as a guarantee of payment for various purposes. These purposes may include, but are not limited to, payment of GFCs or other fees, or completion of an extension project. However, nothing in this provision shall be interpreted as a requirement that the District accept a letter of credit, for any purpose. If a letter of credit is used to guarantee payment, the following conditions must be met:

- Payment of Letter of Credit Processing Fee to the District;
- The Letter of Credit must be issued by a financial institution acceptable to the District;
- The Letter of Credit must name the District as sole beneficiary of the funds described therein;
- Expiration of a Letter of Credit without a District draw upon the funds described therein shall not relieve the Developer from any obligations to the District.
- If the Letter of Credit is used to guarantee payment of fees, the District shall be authorized to redeem the full value of outstanding fees if all fees have not been paid within 90 days.

3.2.10 Maintenance Bond

Before the District will issue its letter of final acceptance, the Developer shall provide an executed maintenance bond for 10 percent of the full value of the water facilities

installed. Such value shall be determined by the District. The Developer may post cash in lieu of bond, on the same terms and conditions as described herein. This bond shall:

- (a) Be on a District-furnished form.
- (b) Be signed by an approved surety (or sureties) that;
 - Is registered with the Washington State Insurance Commissioner, and
 - Appears on the current Authorized Insurance List in the State of Washington published by the Office of the Insurance Commissioner.
- (c) Be effective for two (2) years from the date of the District's letter of final acceptance.

If at any time during the two-year period, the bond or cash in lieu of bond is used for payments, the Developer shall, within two days of such payment, reinstate the value of the bond or cash in lieu of bond to an amount equal to 10 percent of the full value of the water facilities installed. If the value is not reinstated, the District may, at its option, redeem the bond.

The District may require sureties or surety companies on the bond to appear and qualify themselves. Whenever the District deems the surety or sureties to be inadequate, it may, upon written demand, require the Developer to furnish additional surety to cover any remaining work.

3.2.11 Indemnify, Defend and Save Harmless

A contractor or owner working for the District shall agree to indemnify, defend and to hold the District harmless from any and all claims, losses or liability for damages arising from acts done or omissions made under the contract, to the extent allowed by applicable law. Before commencing work the contractor shall furnish the District certificates of his comprehensive general and automobile liability and property damage insurance, in limits acceptable to the District, protecting against all claims for personal injury or property damage, including coverage for underground collapse and explosion damage, arising during the course of the performance of said contract.

3.2.12 Bill of Sale

The District shall prepare a Bill of Sale transferring ownership of all installed water mains and facilities to the District. The Bill of Sale shall be signed by the Applicant. The Bill of Sale shall describe lengths and sizes of water mains, and size and quantities of services and hydrants, and the location in general terms, including the name of the plat if applicable.

The applicant shall provide the District with all applicable invoices and other information necessary for preparation of the Bill of Sale.

3.3 Financing and Fees

3.3.1 Financing Methods

Line extensions can be paid for in three ways:

- (a) The Developer may obtain his/her own contractor to install the main to meet District specifications, and pay the contractor directly. Upon completion of the work, and after approval by the District, the installation will be turned over to the District by means of a Bill of Sale.
- (b) A Local Utility District (LUD) may be formed to finance the extension (see Section 3.3.2).
- (c) In limited cases, and at the District's option, the District may construct the facilities or may contract for construction. The District will make an estimate of the total costs of the project. On receipt of the payment of that estimated amount by the Developer, the District or its authorized representative will proceed with construction. Upon completion of the project, the customer will be either refunded or billed for the difference between the estimated amount and the actual cost of the installation. On jobs where the estimated cost of materials exceeds \$50,000, the District must call for public bids, and award the contract to the lowest acceptable bidder.

3.3.2 Formation of a Local Utility District (LUD)

Property owners within a defined area may petition the PUD Commission for formation of an LUD to finance the extension of water mains to serve their properties. Assessments are levied upon properties benefited by the improvements. All costs and expenses included under RCW 35.44.020 including but not limited to engineering, construction, legal, survey, administrative, office, easements, and costs associated with the procurement of all necessary permits and conduct of environmental analysis are a part of the LUD costs.

The District will prepare a petition at the current cost established in Appendix B, Table B-11 for property owners desiring to initiate the formation of an LUD.

To the full extent required by and subject to the limitations imposed by applicable law (as amended from time to time), the Board of Commissioners of the District shall determine whether or not to form an LUD on the basis of the facts and circumstances pertinent to each particular proposal.

LUD formation must follow procedures described in the District's LUD Process Manual and applicable statutes.

Costs for tapping onto a main constructed under an LUD will be defined in the provisions of the LUD involved.

Under applicable law, certain properties within the boundaries of a LUD may be exempt from assessment. In such cases, the District will grant an exemption, provided the property owner or his/her representative notifies the District in writing and provides evidence satisfactory to the District that the property qualifies for an exemption.

The LUD process may also be available for financing the costs of water system attachment for certain individual, pre-existing single-family residences not located within or contiguous to an LUD currently undergoing formation. Such process requires participation in a “non-contiguous Local Utility District” available only to owners of single family residences taking permanent service from an existing District pipeline. In order to qualify for the non-contiguous LUD process, the dwelling to be served must be the residence of the Applicant or of the Applicant’s tenant. The determination of whether or not a service can be considered permanent shall be at the District’s sole discretion. Any funds payable by the District to a third-party developer under an applicable latecomer policy or agreement as a consequence of an LUD customer attachment shall be paid only upon adoption by the Board of Commissioners of the final assessment roll relating to such LUD (see Sec.3.3.9).

3.3.3 LUD Assessments

For an LUD, each property included will pay an assessment set by the LUD process and designed to ensure customers pay an equitable share of system costs for supply, transmission, treatment, and local distribution lines. Assessments shall include cost of system construction together with any applicable General Facilities Charge (GFC), Distribution System Charge (DSC) and, at the option of each assessed property owner, a Service Connection Charge (SCC). Assessments shall not be in lieu of any other applicable fees or charges payable as the result of customer service changes, water usage, or the formation of any future LUD.

Customers added after deadlines in the LUD process have passed (e.g. time expired, specified number of services added, etc.) will be assessed standard District Charges and Fees in effect at the time of the request for service.

Further information can be found in the District's LUD Procedure Manual.

3.3.4 Plan Review Fee

At the time an application is submitted for an extension or improvement, the applicant shall pay the District a Plan Review Fee (see Appendix B, Table B-11) to cover the cost up to two District reviews. If more than two (2) reviews are required for the same project prior to execution of an Extension Agreement, or if the scope or complexity of design requires unusually extensive review, an additional fee for non-standard engineering services may be charged.

If the District undertakes to provide engineering design services at the application stage, a fee may be charged for non-standard engineering services.

3.3.5 Extension Agreement Fee

At the time an Extension Agreement is submitted for execution by the District, the applicant shall pay the District an Extension Agreement Fee to compensate the District for resources needed to participate in the project (Appendix B, Table B-11).

3.3.6 Summary of Extension Fees

In addition to fees charged for processing applications, Extension Agreements, and other District services, the Applicant will be charged the following Extension Fees, where applicable:

- (a) General Facilities Charge
- (b) Distribution System Charge
- (c) Service Connection Charge

However, fees for properties located within LUDs are handled through the assessment process discussed above.

3.3.7 General Facilities Charge (GFC)

A General Facilities Charge (GFC) is applied on new service connections to compensate for costs the District incurs in construction or acquisition of water system general facilities (i.e., source, storage, treatment and transmission facilities) required to support the addition of the new customers. The GFC amount is based on the demand a new water service connection is expected to place on the water system (see Appendix B, Tables B-2 and B-3). Equivalent Residential Units (ERU) will be used to represent the demand a given service will place on the District's water system and consequently that service's respective share of the costs of the District's water system general facilities. The following procedures apply to payment of the GFC:

- (a) All New Customers connecting to a District water main or expanding their service connection shall pay a GFC, except as follows:
 - (1) The GFC shall not apply to extensions, new developments, or subdivisions where water facilities are financed under the LUD process (see Section 3.3.2).
 - (2) If a New Customer provides documentation, acceptable to the District, that the applicable GFC for such customer's requested connection has already been paid through past payment by a Developer, or other means, the GFC shall not be applied.

- (b) Where construction of a development or subdivision requires connection of a new Developer-installed main extension to the District's water system, the Developer has the option of paying the total applicable GFC for all lots at the time of conveyance of the main extension to the District, or deferring payment of the GFC applicable to any individual lot until the earlier of either when such lot is sold or when a service connection is requested for such lot (see Appendix B, Table B-2).
- (c) Where a development or subdivision is constructed within the boundaries of the District's integrated water system, but connection with the District's integrated water system is deemed by the District in its sole judgment to be impracticable at the time of construction, such development or subdivision may construct and utilize a separate, temporary water supply, storage and distribution system, to be owned and operated by the District. Such system shall be attached to the District's integrated water system at District cost at such time that the District deems attachment practicable and appropriate. The Developer of the development or subdivision has the option of paying the GFC at the time of conveyance of the new distribution system to the District, or deferring payment of the GFC applicable to any individual lot until the earlier of either when such lot is sold or when a service connection is requested for such lot (see Appendix B, Table B-2).
- (d) When the Developer chooses to defer the payment of the GFC, an adjusted GFC amount shall be applicable in order to permit the District to recover administrative costs and interest costs associated with delayed payment (see Appendix B, Table B-2).
- (e) When the Developer chooses to defer the payment of the GFC, the Developer shall note on the final recorded plat that GFC is owed and the District shall file a lien against all lots within the plat. The applicable lien on any specific lot shall be released upon payment of the GFC applicable to such lot.
- (e) The District shall determine the appropriate number of ERUs to be assigned to any and all New Customer connections. The General Facilities Charge for a subdivision constructed under the circumstances described in subsections b and c above, where the Developer has chosen to pay the GFC at the time of conveyance to the District of the Developer-installed main extension or water distribution system, shall be based upon the total of the estimated number of ERUs assigned by the District for each parcel of property in the development or subdivision. If the use classification or the number of dwelling units for any parcel changes between the date of the estimate and the date of application for service to such parcels, causing a change in the estimated ERUs applicable, the General Facilities Charge shall be recalculated accordingly. The recalculation shall be based upon the new number of ERUs. If the recalculated General Facilities Charge is greater than the original payment, the applicants for service to parcels which have a different use classification or a different number of dwelling units shall pay the

difference between the recalculated General Facilities Charge and the estimated General Facilities Charge. No refunds will be made by the District where the recalculated charges are less than the original payment.

In recalculating the General Facilities Charge, the rates in effect at the time of the recalculation shall be used; and for purposes of calculating the difference that the applicant shall pay, the estimated General Facilities Charge shall be recomputed based upon the rates then in effect.

- (g) The General Facilities Charge shall also apply to an LUD or to the identified and assessed individual properties contained therein at the time of formation. Properties within an LUD are subject to the applicable LUD GFC. However, once an LUD has been established and the final assessment roll confirmed, any additional individual water service customer within such established LUD requesting a new water service connection or adding to the number of ERUs to be served by that customer's existing water service connection shall be deemed a "New Customer," and be subject to the applicable General Facilities Charge imposed at the time of connection (see Section (h) below).
- (h) In all cases, the GFC paid shall be based upon the GFC in effect on the date of payment.

3.3.8 Distribution System Charge (DSC)

The Distribution System Charge (DSC) is assessed to compensate for costs the District and its existing customers have paid to install the system's existing local distribution network, or for the costs of installing new distribution lines required to support the addition of the new customers.

The DSC applies to each New Customer connecting to a District-owned water main when such New Customer has not contributed to the cost of the water main either through an LUD assessment, other charge imposed by District policy, or through purchase of an individual parcel specifically for which the water main extension was originally installed. The DSC also applies to each New Customer within satellite systems in cases where the conditions for District acquisition of the system include payment of the DSC.

Depending on the type of development, the DSC is calculated as either a standard charge per connection, or as a charge based on front footage. The DSC for various types of service is shown in Appendix B, Tables B-4 and B-5.

Payment of the DSC is required with regard to each of the following situations:

- (a) Whenever construction of a development or subdivision includes connection to a District main **and** extension of a new or the replacement of an existing main by the developer along the entire frontage of the proposed development or subdivision is **not** required, a DSC shall be imposed upon the Developer.

- (b) Whenever a lot for which a DSC has been paid is subdivided, and additional water connections are made to serve the new lots created by subdivision, an additional DSC shall be collected from the Developer or each New Customer connecting to a District main.
- (c) Whenever a New Customer connects to a District main under an Interim Connection Agreement (ICA), a DSC shall be imposed.

Where applicable, a DSC collected from a New Customer shall be paid as reimbursement to the individual or developer responsible for installation of the water main, in accordance with Section 3.3.9 of this manual.

In the case of a New Customer connection to a water main installed through the LUD process, the DSC collected shall be paid as reimbursement to the District; the DSC shall be equal to the apportioned distribution system cost assessed to each participating LUD property, or the current DSC amount, whichever is greater.

3.3.9 Reimbursement Using the DSC

When a New Customer attachment is to a water main extension or replacement installed and paid for by a third-party, the DSC collected from the New Customer by the District, less five percent (5%) retained by the District for Administrative costs, may be paid over to such third-party as a partial reimbursement for costs of that main extension or replacement installation. However, the following provisions shall apply:

- (a) DSCs collected by the District shall be paid by the District to the third-party installer for a period of ten (10) years from the date of acceptance of the subject water main extension or replacement, or until such time as the third-party installer is fully reimbursed for its actual cost of that portion of the water main extension to which the DSC applies, whichever period is shorter. DSCs from New Customers attaching after such period shall be retained by the District.
- (b) Third-party reimbursements shall apply only with regard to water main extensions constructed by such third-party outside the established boundaries of any subdivision or property development for which the main extension was installed.
- (c) Third-party reimbursements shall be made only for DSCs collected from New Customers whose connection is considered to be permanent by the District. DSCs collected from New Customers whose connection is considered Interim by the District, shall be retained by the District and applied to a future, permanent solution. Refer to section 3.6 for more information on Interim Connections.
- (d) Reimbursement shall be available only to persons who have entered into a “Distribution System Reimbursement Agreement” with the District.

- (e) Reimbursement shall be required only in situations where the District is reasonably able to locate the developer who installed the new or replacement water main. It is the developer's responsibility to provide the District with updated contact information for the Reimbursement Agreement. If the District is unable to locate the developer who is entitled to the DSC payment within the ten-year reimbursement period, using information supplied by the developer, the District shall retain the DSC, and the developer's reimbursement claim shall be extinguished.

3.3.10 Non-standard Engineering Fees

Engineering fees for non-standard engineering services shall be established in the manner described in Section 2.6.5 of this Policies and Procedures Manual for Non-standard Services.

3.3.11 Over-Sizing and Replacement

In order to provide capacity for future customers or improve existing service on an economical basis, the District may require over-sizing or replacement of existing facilities in conjunction with construction of an extension or improvement by a developer. Such requirements may apply on, or adjacent to, a development or subdivision, or to facilities that are associated, but "off-site." The sizing required for developer-project needs alone will be based upon the District's Standards and Specifications (Appendix A), or upon hydraulic analysis acceptable to the District that has been conducted specifically for a proposed project.

When a new development or subdivision has frontage on or abuts an existing District main or associated appurtenances (hydrants, pressure reducing valves, blow-off assemblies, air/vacuum relief valves, and water meters) and the District has determined in its sole discretion that any portion or all of such facilities are in need of replacement due to age, condition, substandard size or materials, or due to the likelihood of damage caused by construction of the development or sub-division improvements, the developer shall replace such facilities without contribution from the District. The developer may be entitled to reimbursement for additional customers connecting to the replacement facilities in accordance with Section 3.3.9.

Any new water system improvements installed for a development and located adjacent to or requiring extensions from an unfunded project shown in the District's Comprehensive Water System Plan, but excluded from the District's 20-year Capital Improvement Program, shall be installed by the developer to sizes shown in the Comprehensive Water System Plan with no over-sizing contribution from the District. The developer may be entitled to reimbursement for additional customers connecting to the subject extension per Section 3.3.9.

In cases where fire flows required by applicable land use plans have changed since the construction of the existing main, the developer will be responsible for the cost of

upgrading the existing main to meet required fire flows per the criteria described in the District's state-approved Comprehensive Water System Plan.

If the District requires over-sizing or replacement to accommodate District needs associated with but not directly resulting from the development, the District may, at its option, participate in the associated costs. The following guidelines will normally apply when the District agrees to participate in over-sizing or replacement of facilities under such circumstances:

- (a) Upon receiving an application for an extension or an improvement, the District will determine if over-sizing of proposed facilities or replacement of existing facilities is best accomplished in conjunction with construction of the proposed development. The District's Water System Plan, the applicable land use plan, and existing system deficiencies will be the primary factors in making this determination.
- (b) If over-sizing or replacement is required, a pre-established reimbursement amount and time for reimbursement shall be negotiated between the District and the developer and included in the Extension Agreement.
- (c) The amount of reimbursement for over-sizing will be based generally on the following:
 - (1) Mains: For pipes up to 4 inches larger in diameter than the District's design standard for the development/lot - reimbursable costs will consist of material cost differences for pipe, valves, and fittings.

For pipes greater than 4 inches larger in diameter than the District's design standard required to serve the development/lot - reimbursable costs will include increased material and construction costs (e.g. cost differentials for larger components, increased excavation, special bedding, testing, cleaning, etc.)
 - (2) Other Facilities: Cost differential contributions for providing larger, or replacement facilities will be conducted on a case by case basis and are subject to negotiations between the District and the developer.
- (e) The methodology of reimbursement will be selected by the District at its sole discretion, and will be included in the Extension Agreement. Reimbursement methodology will normally be chosen from one of the following options:
 - (1) Payment to the developer upon acceptance of the extension or improvement.
 - (2) Credit against funds otherwise owed by the developer to the District.
 - (3) Deferred to the future for reimbursement in lump sum or by installment.
 - (4) A combination of the above.
- (f) Material invoices must be submitted to the District prior to acceptance of the project.

3.4 Design

3.4.1 Standards and Specifications

All water line extensions shall be designed and installed in accordance with the District's Standards and Specifications (Appendix A). However, strict application of the Standards and Specifications may be waived in certain instances, in accordance with Section 1.4 of this Manual.

3.4.2 Extension of Mains Along Property Frontages

In order to provide for continued extension of the District's system beyond properties currently developed or under development, Developers will be required to extend water mains along frontages associated with parcels, subdivisions, or developments. In individual cases, the requirements for length and location of mains along such frontages shall be guided by the District's Comprehensive Water Plan. Depending on the circumstances, reimbursement may be available following main installation, under the District's policies for the Distribution System Charge (see Section 3.3.9).

Developers will normally be required to install a main along the entire length of any and all roads or developed public rights-of-way abutting the property being developed. In some cases, a Developer will be required to extend a main across the property being developed to facilitate looping of the system, in addition to extension along frontages.

In the case of development of an individual parcel of land which cannot be subdivided under the terms of applicable zoning or land use regulations, and where the parcel abuts more than one established road or developed right-of-way, the developer will be required to extend a main only along one side of the parcel. This shall be the side of the parcel that abuts a road or public right-of-way from which the parcel takes permanent access and from which the permanent service line is installed. In cases where the permanent access and permanent service line are not taken from the same road or public right of way, the location of the permanent service, as determined at the sole discretion of the District, shall be the side along which the District main will be extended.

At the District's option, the requirement for extension along frontages may be modified or waived, provided that achievement of general policy goals and objectives of the District are not thereby impaired.

The District normally installs water mains on the north and east sides of a road or street. In some circumstances, therefore, the developer will be required to install a water main across the street or road from their property.

3.4.3 Looping

Looping of water mains may be required in order to satisfy pressure, fire flow, and system hydraulic requirements. In addition, looping may be desirable to promote system reliability. The determination of looping requirements shall be at the sole discretion of

the District and will not exceed 200 feet of main per looping situation. In determining whether looping is required, the following factors shall be considered:

- The length of main that will be needed solely for looping purposes;
- Topographical constraints;
- Effects of looping on system hydraulics;
- The need for easements solely to support looping;
- Expected future development in the area, based on the applicable land use plan, as updated from time to time, municipal comprehensive plans if applicable, the District's Comprehensive Water Plan, and other available information.

If a looping requirement is imposed solely to benefit other properties or the District's system generally, then the District will reimburse the Developer for any required looping over 200 feet per looping situation. However, if the looping requirement also provides a direct benefit to the property in question (e.g. to meet required fire flows), then this limitation will not apply, and the Developer's responsibility will be determined by the District on a case-by-case basis.

3.4.4 Fireflow Not Altered by Sprinkler Systems

The District encourages residential fire protection sprinkling systems. However, such systems will not be a basis for altering the District's design standards.

3.5 General Construction Procedures

3.5.1 Technical Standards and Specifications

Construction practices shall be in accordance with the District's latest Technical Standards and Specifications (Appendix A). However, strict application of the Standards and Specifications may be waived in certain instances, in accordance with Section 3.1.2.

3.5.2 Approved Contractor

All line extensions shall be installed by a licensed contractor approved by the District. Taps to a District main may be performed only by a licensed contractor approved by the District.

"Approval" of a contractor by the District means that the contractor has met certain minimum criteria relating to past performance, experience, or apparent ability to successfully perform the work required; it shall not be deemed to create or impose any warranty upon the District as to the said contractor or its workmanship, nor shall such approval relieve the customer or the contractor of their responsibility to comply in all respects with District policies and specifications.

3.5.3 Pre-Construction Conference

The Developer shall schedule a pre-construction conference with the District and contractor after the Extension Agreement has been executed. The Contractor shall submit a materials list and a safety and traffic control plan, if needed, for District approval before or during this meeting.

3.5.4 Deviations

The approved Extension Agreement construction plans shall be followed. No deviations will be allowed without request for change and approval in writing by the Water Resources Assistant General Manager or his/her designee. The District reserves the right to order changes. The developer shall be notified in writing of any changes.

3.5.5 Taps to Existing Main

All taps of a line to the existing main must be made by District crews or under direct supervision of the District personnel, with material supplied by the owner, contractor or the District. Payment must be made in advance for this work, and for any material required, if done by the District. Tapping an existing main without adhering to District requirements for advance notification shall result in a penalty being assessed against the developer (see Appendix B, Table B-12).

3.5.6 Service Equipment

If the owner is also constructing houses and will construct and complete houses at a rapid rate, the District, at its option, may require the owner to install the meters and service equipment coincidental with the installation of the main, or install the service with a meter yoke for later installation of the meter by the District. The service connection charge will be adjusted accordingly.

3.5.7 District Access

During the period of construction, developers and their contractors will provide access to District personnel (including personnel on contract to the District) as necessary, to ensure compliance with District requirements.

3.6 Interim Connections

3.6.1 Introduction

In general, interim connections to the District's system shall be avoided. However, under certain circumstances overall District goals and objectives may be advanced by permitting connection to a District main or a non-District water system on an interim basis. Such an arrangement shall be permitted only when the District determines that the property in question will be served in the future by a District main abutting the property. The Assistant General Manager or his/her designee shall have the authority to allow an

interim connection and administer an Interim Connection Agreement. The customer shall pay all of the costs and expenses associated with obtaining interim water service.

3.6.2 Interim Connection Agreement

Any interim connection will require an Interim Connection Agreement (ICA), to be executed between the customer and the District. The ICA will specify the terms and conditions for the interim connection. These may include, but are not limited to, provisions designed to facilitate financing and connection to a main, at the time a main abutting the property is subsequently installed.

3.6.3 Fees and Charges

Prior to execution of the ICA, the customer shall pay an ICA Processing Fee, (see Appendix B).

The developer shall pay all other applicable fees to the District prior to execution of the Interim Connection Agreement by the District. These fees include, but are not limited to, the GFC, DSC and SCC.

3.6.4 Easements, Property Rights and Permits

The customer shall obtain and maintain all easements, property rights and/or permits which are necessary or appropriate for interim water service. The customer must provide documentation of same as part of the ICA.

3.6.5 Termination of Interim Service

Interim service shall be terminated whenever the public water system has been extended so that permanent public service is available to the property.

Whenever a property temporarily served pursuant to an ICA can receive permanent service by connection to the District's system abutting the property constructed by a capital construction project, without extending the District's system, then the ICA will be terminated. The customer shall pay the cost of disconnecting the interim connection and reconnecting to the main, plus any other applicable charges.

| Table B-4 | | |
|--|------------------------------------|-----------------------------------|
| Distribution System Charge (DSC)^(1, 4, 5) | | |
| Category | Responsible for Payment | DSC |
| Single-Family Residential (excluding Satellite, and other LUD Systems with specific DSC rates identified in Table B-5) | | |
| Subdivision (Long or Short Plat) | Developer | \$27.00/front foot ⁽²⁾ |
| Individual Parcel | New Customer | \$3,090/connection |
| Multi-Family Residential (Duplex Lot) | Developer or New Customer | \$3,090/connection |
| Multi-Family Residential (3 or more connections) | Developer or New Customer | \$27.00/front foot ⁽²⁾ |
| Commercial or Industrial (Multiple Parcel/Facilities - Strip Malls, Large Scale Commercial) | Developer or New Customer | \$27.00/front foot ⁽²⁾ |
| Commercial or Industrial (Individual Parcel/Single Facility) | Developer or New Customer | \$27.00/front foot ⁽³⁾ |

Footnotes:

(1) Applicability: (see Section 3.3.8).

(2) Total length, measured in feet, of all subdivision or parcel boundaries that front on a public right-of-way that contains an existing District Main, or that will require a District main based on the District's comprehensive water plan.

(3) Total length, measured in feet, of the individual parcel that fronts on a public right-of-way that contains an existing District Main per Section 3.4.2. In the event the parcel abuts more than one road or public right-of-way, the DSC front footage shall be calculated based upon the side of the parcel that abuts a road or public right-of-way from which the parcel takes permanent access and from which the permanent service line is installed. In cases where the permanent access and permanent service line are not taken from the same road or public right of way, the location of the permanent service, as determined at the sole discretion of the District, shall be the side from which DSCs are calculated.

(4) Subject to automatic annual adjustment based upon Resolutions adopted by the Snohomish County PUD Board of Commissioners and the change ratio of the Engineering News Record Construction Cost Index for the Seattle Area as reported for on a November to November calendar basis.

(5) Assumptions made in the determination of the front foot charge and individual parcel DSC charge are as follows:
(a.) Average front footage for urban and rural lots in Snohomish County is 115'. Based upon average urban lot size of 7,243 sq ft, average rural lot size of 58,110 sq ft, and the average lots frontage is 1/2 as long as it is deep. (b.) Front Foot charge based upon 1/2 the average of the average cost/ft of District 8" water main extensions and the average cost/ft of 8" water mains installed and conveyed to the District by Developers.

RESOLUTION NO.5218

A RESOLUTION Revising the District's Rates for Water
Utility Service

WHEREAS, on December 18, 2001, the Board of Commissioners of Public Utility District No. 1 of Snohomish County adopted changes to certain Water Utility rates, and the Commission now finds that such rates are in need of further revision; and

WHEREAS, the District has full and exclusive authority under RCW 54.16.030 to regulate and control the use, distribution, and price of its Water Utility services, and has the power and obligation under RCW 54.24.080 to establish, maintain, and collect rates or charges for water and other services supplied by the District which shall be fair, nondiscriminatory, and adequate to provide revenues sufficient for payment of its lawful obligations, to fund its planned improvements, and to provide quality water service to its existing and new water service customers; and

WHEREAS, by Resolution No. 5215 adopted on September 7, 2005, the Commission directed that a public hearing be held on September 20, 2005, to review the Water Utility's projected plans and revenue needs and the proposed Water Utility rates, and to provide District water service customers the opportunity to comment thereon, and the Commission has considered the information and comments provided at such meeting; and

WHEREAS, Resolution No. 4848-J delegated to the District's General Manager broad authority to establish certain policies and regulations relating to water service, but reserved in the District's Commission the authority to establish the general terms, conditions, and policies for water service provided by the District as set forth in Section 2; and the rates, charges, and fees set forth in Appendix B of the District's Policies and Procedures Manual for Administration for Water Service, as it may be amended from time to time; and

WHEREAS, rates charged by the City of Everett for water purchased by the District have increased since 2001, have been set for future years through 2008, and the total of the increases from 2002 through 2006 is 25 percent (25%); and

WHEREAS, the Commission finds that the proposed revision of the District's Water Utility rates is reasonable and proper and in the best interests of the District and its customers.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, as follows:

Section 1. The District's rates for Water Utility service shall be revised as described in Exhibit "A," which Exhibit is attached hereto and incorporated herein by this reference.

Section 2. The rate revision hereby imposed shall become effective for the services described in such schedules, beginning on January 1, 2006, and shall include each of the respective annual adjustments as provided in the attached Exhibit, and shall be and remain in effect for the entire period beginning January 1, 2006, and thereafter until further revised. All water consumption prior to January 1, 2006, shall be billed for at the rates in effect prior to such date. In preparing customer bills to implement this resolution on January 1, 2006, the District shall prorate such bills as if water consumption occurred at a constant rate during the billing period.

Section 3. Except as provided here, Resolution Nos. 4848-J and 4860 shall remain in full force and effect.

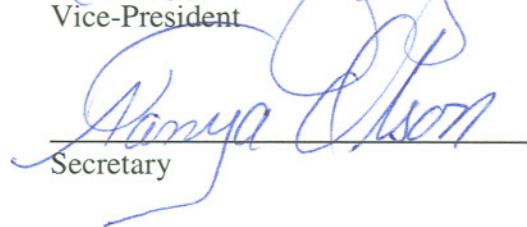
PASSED AND APPROVED this 20th day of September 2005.



President



Vice-President



Secretary

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
(Effective January 1, 2006 - December 31, 2008)

| | Current Rates | Proposed 2006 | Proposed 2007 | Proposed 2008 |
|---|---------------|---------------|---------------|---------------|
| SCHEDULE 11 - General Single-Family Residential | | | | |
| Monthly Min. Charge | \$ 9.70 | \$ 10.70 | \$ 11.20 | \$ 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 12 - General Multi-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.50 | 11.00 | 11.50 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.62 | 1.64 | 1.66 |
| SCHEDULE 13 - General Commercial / Industrial | | | | |
| Monthly Min. Charge | 14.31 | 20.00 | 22.50 | 25.00 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.60 | 1.61 | 1.62 |
| SCHEDULE 14 - Lake Connor Park | | | | |
| Monthly Min. Charge | 37.41 | 41.00 | 44.00 | 47.00 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.70 | 1.80 | 1.90 |
| SCHEDULE 15 - May Creek Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.2 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 16 - Lake Roesiger Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.2 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| Septic Tank Pumping (per 100 cu ft) | 0.84 | 0.84 | 0.84 | 0.84 |
| SCHEDULE 17 - Lake Roesiger Multi-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.50 | 11.00 | 11.50 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.62 | 1.64 | 1.66 |
| Septic Tank Pumping (per 100 cu ft) | 0.84 | 0.84 | 0.84 | 0.84 |
| SCHEDULE 18 - Lake Roesiger Commercial / Industrial | | | | |
| Monthly Min. Charge | 14.31 | 20.00 | 22.50 | 25.00 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.60 | 1.61 | 1.62 |
| Septic Tank Pumping (per 100 cu ft) | 0.84 | 0.84 | 0.84 | 0.84 |
| SCHEDULE 19 - Skylite Tracts Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
(Effective January 1, 2006 - December 31, 2008)

| | Current Rates | Proposed 2006 | Proposed 2007 | Proposed 2008 |
|--|---------------|---------------|---------------|---------------|
| SCHEDULE 40 - Dutch Hill Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 41 - Dutch Hill Commercial / Industrial | | | | |
| Monthly Min. Charge | 14.31 | 20.00 | 22.50 | 25.00 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.60 | 1.61 | 1.62 |
| SCHEDULE 42 - Pilchuck 10 Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 43 - Sunday Lake Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 44 - Blue Spruce Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 45 - Cedar Lane Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 47 - Dubuque Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 48 - Booster Facility | | | | |
| Monthly Min. Charge | 10.70 | 11.70 | 12.20 | 12.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 49 - Kla-ha-ya Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 |

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
(Effective January 1, 2006 - December 31, 2008)

| | Current Rates | Proposed 2006 | Proposed 2007 | Proposed 2008 |
|---|---------------|---------------|---------------|---------------|
| SCHEDULE 51 - Storm Lake Ridge Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 52 - May Creek Multi-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.50 | 11.00 | 11.50 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.62 | 1.64 | 1.66 |
| SCHEDULE 53 - May Creek Commercial / Industrial | | | | |
| Monthly Min. Charge | 14.31 | 20.00 | 22.50 | 25.00 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.60 | 1.61 | 1.62 |
| SCHEDULE 54 - Two Twelve Market Commercial / Industrial | | | | |
| Monthly Min. Charge | 14.31 | 20.00 | 22.50 | 25.00 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.60 | 1.61 | 1.62 |
| SCHEDULE 55 - Butterfield Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 56 - Dubuque Multi-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.50 | 11.00 | 11.50 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.62 | 1.64 | 1.66 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 57 - Machias Ridge East Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| Surcharge | 31.19 | 31.19 | 31.19 | 31.19 |
| SCHEDULE 58 - Otis System Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| SCHEDULE 59 - Dutch Hill Multi-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.50 | 11.00 | 11.50 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.62 | 1.64 | 1.66 |

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
 (Effective January 1, 2006 - December 31, 2008)

| | Current Rates | Proposed 2006 | Proposed 2007 | Proposed 2008 |
|---|---------------|---------------|---------------|---------------|
| SCHEDULE 65 - West Machias Commercial / Industrial | | | | |
| Monthly Min. Charge | 14.31 | 20.00 | 22.50 | 25.00 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.60 | 1.61 | 1.62 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 |
| SCHEDULE 66 - W Machias/T Marks/Joywood Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 |
| SCHEDULE 67 - West Machias Multi-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.50 | 11.00 | 11.50 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.62 | 1.64 | 1.66 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 |
| SCHEDULE 68 - Kla-ha-ya Multi-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.50 | 11.00 | 11.50 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.62 | 1.64 | 1.66 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 |
| SCHEDULE 69 - Lake Stevens Integrated System Single-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.70 | 11.20 | 11.70 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.65 | 1.72 | 1.79 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 |
| SCHEDULE 83 - Lake Stevens Integrated System Commercial / Industrial | | | | |
| Monthly Min. Charge | 14.31 | 20.00 | 22.50 | 25.00 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.60 | 1.61 | 1.62 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 |
| SCHEDULE 84 - Lake Stevens Integrated System Multi-Family Residential | | | | |
| Monthly Min. Charge | 9.70 | 10.50 | 11.00 | 11.50 |
| Commodity Rate (per 100 cu ft) | 1.59 | 1.62 | 1.64 | 1.66 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 |

RESOLUTION NO. 5255

A RESOLUTION Amending Certain Loan Agreements with the
State of Washington


WHEREAS, the District has previously entered into certain loan agreements with the State of Washington, consisting of a) Public Works Trust Fund Construction Loan Agreement Number PW-5-92-280-038; b) Drinking Water State Revolving Fund Loan Agreement Number 01-65101-028; c) Drinking Water State Revolving Fund Loan Agreement Number 01-65101-029; and d) Drinking Water State Revolving Fund Loan Agreement Number 01-65101-030; and

WHEREAS, in connection with the pending issuance of the District's 2006 Water Revenue Bonds, the District's Bond Counsel has advised the District that under current state policy, existing loan agreements with the State can be renegotiated to remove the acceleration upon delinquency clause set forth in each of the Loan Agreements described above; and

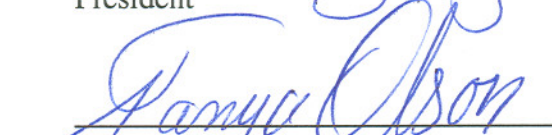
WHEREAS, the State has agreed to execute amendments to each such Loan Agreement removing such acceleration upon delinquency clause;

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County, Washington, that the Treasurer of the District is hereby authorized to execute Amendment 1 to Loan Agreement Numbers PW-5-92-280-038, 01-65101-028, 01-65101-029 and 01-65101-030, in the forms attached as Exhibits A, B, C and D hereto, respectively, eliminating such acceleration upon delinquency clauses.

PASSED AND APPROVED this 16th day of May 2006.



President



Vice-President



Secretary

**AMENDMENT NUMBER 1
PUBLIC WORKS TRUST FUND
LOAN AGREEMENT NUMBER PW-5-92-280-038
BETWEEN
THE PUBLIC WORKS BOARD
AND
SNOHOMISH COUNTY PUD 1**

WHEREAS, the Public Works Board (hereinafter referred to as BOARD) is authorized to make loans to local governments pursuant to the provisions of Chapters 43.155 and 39.69 of the Revised Code of Washington, as supplemented and amended; and

WHEREAS, the Snohomish County PUD 1 (hereinafter referred to as LOCAL GOVERNMENT) desires to amend Loan Agreement Number PW-5-92-280-038; and

WHEREAS, consistent with its governmental purposes, the BOARD has an established program of lending money to local governments that, among other things, is intended to (i) minimize borrowing costs to local governments, (ii) operate with low administrative burdens on the BOARD and local governments, (iii) ensure future participation by local governments in the program and (iv) provide reasonable loan security for the BOARD and its funds; and

WHEREAS, the BOARD's standard loan agreements contain provisions (the "Acceleration Provisions") allowing the BOARD, in certain circumstances, to declare the entire remaining balance of a loan made thereunder, together with accrued interest, immediately due and payable; and

WHEREAS, various local government borrowers under the BOARD's programs believe that the Acceleration Provisions increase the cost of incurring indebtedness with a lien senior to that of the BOARD's loans and have requested that the BOARD either modify the loan agreements to remove the Acceleration Provisions or otherwise agree not to exercise the Acceleration Provisions; and

WHEREAS, the BOARD, after receiving the analysis of its staff and advisors, has determined that the Acceleration Provisions have increased borrowing costs for certain borrowers and are likely to increase such costs in the future; and

WHEREAS, the BOARD has rarely invoked acceleration as a remedy against the borrowers under its loan programs, has various other rights under the loan agreements following a default by a borrower and operates its programs without requirements that may be associated with a leveraged loan program; and

WHEREAS, consistent with its program of lending, the BOARD desires to minimize the impact of its loan agreements on the borrowing costs of local governments and to increase demand for its loans; and

WHEREAS, existing remedies contained within the loan agreements, together with clarifications of certain of the BOARD's existing rights in relation to other creditors, provide protection to the BOARD and its funds which the BOARD deems sufficient in light of its desire to decrease borrowing costs for local governments; and

WHEREAS, on February 4, 2003 the BOARD modified its form loan agreements by removing acceleration provisions and adding provisions clarifying the existing right of the BOARD to notify a borrowers other creditors upon an event of default or other failure to comply with a loan agreement; and

WHEREAS, consistent with its program of lending, the BOARD desires that its loan provisions be generally consistent and, therefore, desires to amend its existing loan agreements to conform to the modifications of its form loan agreements; and

WHEREAS, the BOARD has lent funds to the LOCAL GOVERNMENT and the LOCAL GOVERNMENT is authorized to enter into loan agreements with the BOARD pursuant to the provisions of Chapter 39.69 of the Revised Code of Washington, as supplemented and amended; and

WHEREAS, the execution and delivery of this Amendment has been duly authorized pursuant to proper action of the BOARD and of the governing body of the LOCAL GOVERNMENT; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Amendment, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute, deliver and perform their respective obligations under this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other valuable consideration, the sufficiency of which is hereby acknowledged, the BOARD and the LOCAL GOVERNMENT agree to amend Public Works Trust Fund Loan Agreement Number PW-5-92-280-038 as described below:

Section 4.05 Time of Performance is amended to delete the original section and replace it with the following:

The LOCAL GOVERNMENT shall begin the activities identified within ATTACHMENT E: SCOPE OF WORK no later than three months after loan agreement execution, and reach project completion no later than forty-eight (48) months after the date of agreement execution.

Failure to perform within the time frame described in the preceding paragraph may constitute default of this agreement. In the event of extenuating circumstances, the LOCAL GOVERNMENT may request, in writing, that the BOARD extend the deadline for project completion. The BOARD may, by a two-thirds vote, extend the deadline.

The term of this agreement shall be for the entire term of the loan, irrespective of actual project completion, unless terminated sooner as provided herein.

Section 4.08 Default in Repayment is amended to delete the original section and replace it with the following:

Loan repayments shall be made on the loan in accordance with Section 4.06 of this agreement. A payment not received within thirty (30) days of the due date shall be declared delinquent. Delinquent payments shall be assessed a daily penalty beginning on the thirty-first (31) day past the due date. The penalty will be assessed on the entire payment amount. The penalty will be twelve percent (12%) per annum calculated on a 360-day year.

The same penalty terms shall apply to delinquent repayment of funds paid in excess of eligible costs as provided for in Section 4.03.

The LOCAL GOVERNMENT acknowledges and agrees to the BOARD'S right, upon delinquency in the payment of any annual installment, to notify any other entity, creditors or potential creditors of the LOCAL GOVERNMENT of such delinquency including, without limitation, the state government and the United States of America or its agencies, credit rating agencies, and the municipal finance market.

The LOCAL GOVERNMENT shall pay the costs and reasonable legal fees incurred by the BOARD in any action undertaken to enforce its rights under this section.

Section 4.14 Termination for Cause is amended to delete the original section and replace it with the following:

If the LOCAL GOVERNMENT fails to comply with the terms of this agreement, or fails to use the loan proceeds only for those activities identified in ATTACHMENT I: SCOPE OF WORK, the BOARD may terminate the agreement in whole or in part at any time. The BOARD shall promptly notify the LOCAL GOVERNMENT in writing of its determination to terminate, the reason for such termination, and the effective date of the termination. Nothing in this section shall affect LOCAL GOVERNMENT obligations to repay the unpaid balance of the loan.

Section 4.15, Termination for Convenience is amended to delete the original section and replace it with the following:

The BOARD may terminate this agreement in the event that federal or state funds are no longer available to the BOARD, or are otherwise not allocated for the purpose of meeting the BOARD'S obligations under this agreement. Termination will be effective when the BOARD sends written notice of termination to the LOCAL GOVERNMENT. Nothing in this section shall affect LOCAL GOVERNMENT obligations to repay the unpaid balance of the loan.

A copy of this amendment, consisting of 3 pages, shall be attached to and incorporated into the original agreement between the BOARD and the LOCAL GOVERNMENT. All other items and conditions of the original loan shall remain in full force and effect.

IN WITNESS THEREOF, the BOARD and the LOCAL GOVERNMENT have executed this amendment as of the date and year last written below.

PUBLIC WORKS BOARD

LOCAL GOVERNMENT

Kelly Snyder, Assistant Director

Signature

Print Name

Date

Title

APPROVED AS TO FORM ONLY

This 24th Day of March, 2003

Christine O. Gregoire
Attorney General

Date

Federal Taxpayer Identification Number

By: Signature on File

Jeanne A. Cushman
Assistant Attorney General

EXHIBIT B

**AMENDMENT NUMBER 1
DRINKING WATER STATE REVOLVING FUND
LOAN AGREEMENT NUMBER 01-65101-028
BETWEEN
THE PUBLIC WORKS BOARD
AND
SNOHOMISH COUNTY PUD 1**

WHEREAS, the Public Works Board (hereinafter referred to as BOARD) is authorized to make loans to local governments pursuant to the provisions of Chapters 43.155 and 39.69 of the Revised Code of Washington, as supplemented and amended; and

WHEREAS, Snohomish County PUD 1 (hereinafter referred to as BORROWER) desires to amend Loan Agreement Number 01-65101-028; and

WHEREAS, consistent with its governmental purposes, the BOARD has an established program of lending money to local governments that, among other things, is intended to (i) minimize borrowing costs to local governments, (ii) operate with low administrative burdens on the BOARD and local governments, (iii) ensure future participation by local governments in the program and (iv) provide reasonable loan security for the BOARD and its funds; and

WHEREAS, the BOARD's standard loan agreements contain provisions (the "Acceleration Provisions") allowing the BOARD, in certain circumstances, to declare the entire remaining balance of a loan made thereunder, together with accrued interest, immediately due and payable; and

WHEREAS, various local government borrowers under the BOARD's programs believe that the Acceleration Provisions increase the cost of incurring indebtedness with a lien senior to that of the BOARD's loans and have requested that the BOARD either modify the loan agreements to remove the Acceleration Provisions or otherwise agree not to exercise the Acceleration Provisions; and

WHEREAS, the BOARD, after receiving the analysis of its staff and advisors, has determined that the Acceleration Provisions have increased borrowing costs for certain borrowers and are likely to increase such costs in the future; and

WHEREAS, the BOARD has rarely invoked acceleration as a remedy against the borrowers under its loan programs, has various other rights under the loan agreements following a default by a borrower and operates its programs without requirements that may be associated with a leveraged loan program; and

WHEREAS, consistent with its program of lending, the BOARD desires to minimize the impact of its loan agreements on the borrowing costs of local governments and to increase demand for its loans; and

WHEREAS, existing remedies contained within the loan agreements, together with clarifications of certain of the BOARD's existing rights in relation to other creditors, provide protection to the BOARD and its funds which the BOARD deems sufficient in light of its desire to decrease borrowing costs for local governments; and

WHEREAS, on February 4, 2003 the BOARD modified its form loan agreements by removing acceleration provisions and adding provisions clarifying the existing right of the BOARD to notify a borrower's other creditors upon an event of default or other failure to comply with a loan agreement; and

WHEREAS, consistent with its program of lending, the BOARD desires that its loan provisions be generally consistent and, therefore, desires to amend its existing loan agreements to conform to the modifications of its form loan agreements; and

WHEREAS, the BOARD has lent funds to the BORROWER and the BORROWER is authorized to enter into loan agreements with the BOARD pursuant to the provisions of Chapter 39.69 of the Revised Code of Washington, as supplemented and amended; and

WHEREAS, the execution and delivery of this Amendment has been duly authorized pursuant to proper action of the BOARD and of the governing body of the BORROWER; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Amendment, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute, deliver and perform their respective obligations under this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other valuable consideration, the sufficiency of which is hereby acknowledged, the BOARD and the BORROWER agree to amend Drinking Water State Revolving Fund Loan Agreement Number 01-65101-028 as described below:

Section 4.03 Time of Performance is amended to delete the original section and replace it with the following:

The BORROWER shall begin the activities identified within ATTACHMENT I: SCOPE OF WORK no later than ninety (90) days after loan agreement execution, and reach project completion no later than thirty-six (36) months after the date of agreement execution.

Failure to perform within the time frame described in the preceding paragraph may constitute default of this agreement. In the event of extenuating circumstances, the BORROWER may request, in writing, that the BOARD extend the deadline for project completion. The BOARD may, by a two-thirds vote, extend the deadline.

The term of this agreement shall be for the entire term of the loan, irrespective of actual project completion, unless terminated sooner as provided herein.

Section 4.07 Default in Repayment is amended to delete the original section and replace it with the following:

Loan repayments shall be made on the loan in accordance with Section 4.05 of this agreement. A payment not received within thirty (30) days of the due date shall be declared delinquent. Delinquent payments shall be assessed a daily penalty beginning on the thirty-first (31) day past the due date. The penalty will be assessed on the entire payment amount. The penalty will be twelve percent (12%) per annum calculated on a 360-day year.

The same penalty terms shall apply to delinquent repayment of funds paid in excess of eligible costs as provided for in Section 4.02.

The BORROWER acknowledges and agrees to the BOARD'S right, upon delinquency in the payment of any annual installment, to notify any other entity, creditors or potential creditors of the BORROWER of such delinquency including, without limitation, the state government and the United States of America or its agencies, credit rating agencies, and the municipal finance market.

The BORROWER shall pay the costs and reasonable legal fees incurred by the BOARD in any action undertaken to enforce its rights under this section.

Section 4.15 Termination for Cause is amended to delete the original section and replace it with the following:

If the BORROWER fails to comply with the terms of this agreement, or fails to use the loan proceeds only for those activities identified in ATTACHMENT I: SCOPE OF WORK, the BOARD may terminate the agreement in whole or in part at any time. The BOARD shall promptly notify the BORROWER in writing of its determination to terminate, the reason for such termination, and the effective date of the termination. Nothing in this section shall affect BORROWER obligations to repay the unpaid balance of the loan.

Section 4.16 Termination for Convenience is amended to delete the original section and replace it with the following:

The BOARD may terminate this agreement in the event that federal or state funds are no longer available to the BOARD, or are otherwise not allocated for the purpose of meeting the BOARD'S obligations under this agreement. Termination will be effective when the BOARD sends written notice of termination to the BORROWER. Nothing in this section shall affect BORROWER obligations to repay the unpaid balance of the loan.

A copy of this amendment, consisting of 3 pages, shall be attached to and incorporated into the original agreement between the BOARD and the BORROWER. All other items and conditions of the original loan shall remain in full force and effect.

IN WITNESS THEREOF, the BOARD and the BORROWER have executed this amendment as of the date and year last written below.

PUBLIC WORKS BOARD

BORROWER

Kelly Snyder, Assistant Director

Signature

Print Name

Date

Title

APPROVED AS TO FORM ONLY

This 24th Day of March, 2003

Christine O. Gregoire
Attorney General

Date

Federal Taxpayer Identification Number

By: Signature on File

Jeanne A. Cushman
Assistant Attorney General

**AMENDMENT NUMBER 1
DRINKING WATER STATE REVOLVING FUND
LOAN AGREEMENT NUMBER 01-65101-029
BETWEEN
THE PUBLIC WORKS BOARD
AND
SNOHOMISH COUNTY PUD 1**

WHEREAS, the Public Works Board (hereinafter referred to as BOARD) is authorized to make loans to local governments pursuant to the provisions of Chapters 43.155 and 39.69 of the Revised Code of Washington, as supplemented and amended; and

WHEREAS, Snohomish County PUD 1 (hereinafter referred to as BORROWER) desires to amend Loan Agreement Number 01-65101-029; and

WHEREAS, consistent with its governmental purposes, the BOARD has an established program of lending money to local governments that, among other things, is intended to (i) minimize borrowing costs to local governments, (ii) operate with low administrative burdens on the BOARD and local governments, (iii) ensure future participation by local governments in the program and (iv) provide reasonable loan security for the BOARD and its funds; and

WHEREAS, the BOARD's standard loan agreements contain provisions (the "Acceleration Provisions") allowing the BOARD, in certain circumstances, to declare the entire remaining balance of a loan made thereunder, together with accrued interest, immediately due and payable; and

WHEREAS, various local government borrowers under the BOARD's programs believe that the Acceleration Provisions increase the cost of incurring indebtedness with a lien senior to that of the BOARD's loans and have requested that the BOARD either modify the loan agreements to remove the Acceleration Provisions or otherwise agree not to exercise the Acceleration Provisions; and

WHEREAS, the BOARD, after receiving the analysis of its staff and advisors, has determined that the Acceleration Provisions have increased borrowing costs for certain borrowers and are likely to increase such costs in the future; and

WHEREAS, the BOARD has rarely invoked acceleration as a remedy against the borrowers under its loan programs, has various other rights under the loan agreements following a default by a borrower and operates its programs without requirements that may be associated with a leveraged loan program; and

WHEREAS, consistent with its program of lending, the BOARD desires to minimize the impact of its loan agreements on the borrowing costs of local governments and to increase demand for its loans; and

WHEREAS, existing remedies contained within the loan agreements, together with clarifications of certain of the BOARD's existing rights in relation to other creditors, provide protection to the BOARD and its funds which the BOARD deems sufficient in light of its desire to decrease borrowing costs for local governments; and

WHEREAS, on February 4, 2003 the BOARD modified its form loan agreements by removing acceleration provisions and adding provisions clarifying the existing right of the BOARD to notify a borrowers other creditors upon an event of default or other failure to comply with a loan agreement; and

WHEREAS, consistent with its program of lending, the BOARD desires that its loan provisions be generally consistent and, therefore, desires to amend its existing loan agreements to conform to the modifications of its form loan agreements; and

WHEREAS, the BOARD has lent funds to the BORROWER and the BORROWER is authorized to enter into loan agreements with the BOARD pursuant to the provisions of Chapter 39.69 of the Revised Code of Washington, as supplemented and amended; and

WHEREAS, the execution and delivery of this Amendment has been duly authorized pursuant to proper action of the BOARD and of the governing body of the BORROWER; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Amendment, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute, deliver and perform their respective obligations under this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other valuable consideration, the sufficiency of which is hereby acknowledged, the BOARD and the BORROWER agree to amend Drinking Water State Revolving Fund Loan Agreement Number 01-65101-029 as described below:

Section 4.03 Time of Performance is amended to delete the original section and replace it with the following:

The BORROWER shall begin the activities identified within ATTACHMENT 1: SCOPE OF WORK no later than ninety (90) days after loan agreement execution, and reach project completion no later than thirty-six (36) months after the date of agreement execution.

Failure to perform within the time frame described in the preceding paragraph may constitute default of this agreement. In the event of extenuating circumstances, the BORROWER may request, in writing, that the BOARD extend the deadline for project completion. The BOARD may, by a two-thirds vote, extend the deadline.

The term of this agreement shall be for the entire term of the loan, irrespective of actual project completion, unless terminated sooner as provided herein.

Section 4.07 Default in Repayment is amended to delete the original section and replace it with the following:

Loan repayments shall be made on the loan in accordance with Section 4.05 of this agreement. A payment not received within thirty (30) days of the due date shall be declared delinquent. Delinquent payments shall be assessed a daily penalty beginning on the thirty-first (31) day past the due date. The penalty will be assessed on the entire payment amount. The penalty will be twelve percent (12%) per annum calculated on a 360-day year.

The same penalty terms shall apply to delinquent repayment of funds paid in excess of eligible costs as provided for in Section 4.02.

The BORROWER acknowledges and agrees to the BOARD'S right, upon delinquency in the payment of any annual installment, to notify any other entity, creditors or potential creditors of the BORROWER of such delinquency including, without limitation, the state government and the United States of America or its agencies, credit rating agencies, and the municipal finance market.

The BORROWER shall pay the costs and reasonable legal fees incurred by the BOARD in any action undertaken to enforce its rights under this section.

Section 4.15 Termination for Cause is amended to delete the original section and replace it with the following:

If the BORROWER fails to comply with the terms of this agreement, or fails to use the loan proceeds only for those activities identified in ATTACHMENT I: SCOPE OF WORK, the BOARD may terminate the agreement in whole or in part at any time. The BOARD shall promptly notify the BORROWER in writing of its determination to terminate, the reason for such termination, and the effective date of the termination. Nothing in this section shall affect BORROWER obligations to repay the unpaid balance of the loan.

Section 4.16 Termination for Convenience is amended to delete the original section and replace it with the following:

The BOARD may terminate this agreement in the event that federal or state funds are no longer available to the BOARD, or are otherwise not allocated for the purpose of meeting the BOARD'S obligations under this agreement. Termination will be effective when the BOARD sends written notice of termination to the BORROWER. Nothing in this section shall affect BORROWER obligations to repay the unpaid balance of the loan.

A copy of this amendment, consisting of 3 pages, shall be attached to and incorporated into the original agreement between the BOARD and the BORROWER. All other items and conditions of the original loan shall remain in full force and effect.

IN WITNESS THEREOF, the BOARD and the BORROWER have executed this amendment as of the date and year last written below.

PUBLIC WORKS BOARD

BORROWER

Kelly Snyder, Assistant Director

Signature

Print Name

Date

Title

APPROVED AS TO FORM ONLY

This 24th Day of March, 2003

Christine O. Gregoire
Attorney General

Date

Federal Taxpayer Identification Number

By: Signature on File

Jeanne A. Cushman
Assistant Attorney General

**AMENDMENT NUMBER 1
DRINKING WATER STATE REVOLVING FUND
LOAN AGREEMENT NUMBER 01-65101-030
BETWEEN
THE PUBLIC WORKS BOARD
AND
SNOHOMISH COUNTY PUD 1**

WHEREAS, the Public Works Board (hereinafter referred to as BOARD) is authorized to make loans to local governments pursuant to the provisions of Chapters 43.155 and 39.69 of the Revised Code of Washington, as supplemented and amended; and

WHEREAS, Snohomish County PUD 1 (hereinafter referred to as BORROWER) desires to amend Loan Agreement Number 01-65101-030; and

WHEREAS, consistent with its governmental purposes, the BOARD has an established program of lending money to local governments that, among other things, is intended to (i) minimize borrowing costs to local governments, (ii) operate with low administrative burdens on the BOARD and local governments, (iii) ensure future participation by local governments in the program and (iv) provide reasonable loan security for the BOARD and its funds; and

WHEREAS, the BOARD's standard loan agreements contain provisions (the "Acceleration Provisions") allowing the BOARD, in certain circumstances, to declare the entire remaining balance of a loan made thereunder, together with accrued interest, immediately due and payable; and

WHEREAS, various local government borrowers under the BOARD's programs believe that the Acceleration Provisions increase the cost of incurring indebtedness with a lien senior to that of the BOARD's loans and have requested that the BOARD either modify the loan agreements to remove the Acceleration Provisions or otherwise agree not to exercise the Acceleration Provisions; and

WHEREAS, the BOARD, after receiving the analysis of its staff and advisors, has determined that the Acceleration Provisions have increased borrowing costs for certain borrowers and are likely to increase such costs in the future; and

WHEREAS, the BOARD has rarely invoked acceleration as a remedy against the borrowers under its loan programs, has various other rights under the loan agreements following a default by a borrower and operates its programs without requirements that may be associated with a leveraged loan program; and

WHEREAS, consistent with its program of lending, the BOARD desires to minimize the impact of its loan agreements on the borrowing costs of local governments and to increase demand for its loans; and

WHEREAS, existing remedies contained within the loan agreements, together with clarifications of certain of the BOARD's existing rights in relation to other creditors, provide protection to the BOARD and its funds which the BOARD deems sufficient in light of its desire to decrease borrowing costs for local governments; and

WHEREAS, on February 4, 2003 the BOARD modified its form loan agreements by removing acceleration provisions and adding provisions clarifying the existing right of the BOARD to notify a borrowers other creditors upon an event of default or other failure to comply with a loan agreement; and

WHEREAS, consistent with its program of lending, the BOARD desires that its loan provisions be generally consistent and, therefore, desires to amend its existing loan agreements to conform to the modifications of its form loan agreements; and

WHEREAS, the BOARD has lent funds to the BORROWER and the BORROWER is authorized to enter into loan agreements with the BOARD pursuant to the provisions of Chapter 39.69 of the Revised Code of Washington, as supplemented and amended; and

WHEREAS, the execution and delivery of this Amendment has been duly authorized pursuant to proper action of the BOARD and of the governing body of the BORROWER; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Amendment, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute, deliver and perform their respective obligations under this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other valuable consideration, the sufficiency of which is hereby acknowledged, the BOARD and the BORROWER agree to amend Drinking Water State Revolving Fund Loan Agreement Number 01-65101-030 as described below:

Section 4.03 Time of Performance is amended to delete the original section and replace it with the following:

The BORROWER shall begin the activities identified within ATTACHMENT I: SCOPE OF WORK no later than ninety (90) days after loan agreement execution, and reach project completion no later than thirty-six (36) months after the date of agreement execution.

Failure to perform within the time frame described in the preceding paragraph may constitute default of this agreement. In the event of extenuating circumstances, the BORROWER may request, in writing, that the BOARD extend the deadline for project completion. The BOARD may, by a two-thirds vote, extend the deadline.

The term of this agreement shall be for the entire term of the loan, irrespective of actual project completion, unless terminated sooner as provided herein.

Section 4.07 Default in Repayment is amended to delete the original section and replace it with the following:

Loan repayments shall be made on the loan in accordance with Section 4.05 of this agreement. A payment not received within thirty (30) days of the due date shall be declared delinquent. Delinquent payments shall be assessed a daily penalty beginning on the thirty-first (31) day past the due date. The penalty will be assessed on the entire payment amount. The penalty will be twelve percent (12%) per annum calculated on a 360-day year.

The same penalty terms shall apply to delinquent repayment of funds paid in excess of eligible costs as provided for in Section 4.02.

The BORROWER acknowledges and agrees to the BOARD'S right, upon delinquency in the payment of any annual installment, to notify any other entity, creditors or potential creditors of the BORROWER of such delinquency including, without limitation, the state government and the United States of America or its agencies, credit rating agencies, and the municipal finance market.

The BORROWER shall pay the costs and reasonable legal fees incurred by the BOARD in any action undertaken to enforce its rights under this section.

Section 4.15 Termination for Cause is amended to delete the original section and replace it with the following:

If the BORROWER fails to comply with the terms of this agreement, or fails to use the loan proceeds only for those activities identified in ATTACHMENT I: SCOPE OF WORK, the BOARD may terminate the agreement in whole or in part at any time. The BOARD shall promptly notify the BORROWER in writing of its determination to terminate, the reason for such termination, and the effective date of the termination. Nothing in this section shall affect BORROWER obligations to repay the unpaid balance of the loan.

Section 4.16 Termination for Convenience is amended to delete the original section and replace it with the following:

The BOARD may terminate this agreement in the event that federal or state funds are no longer available to the BOARD, or are otherwise not allocated for the purpose of meeting the BOARD'S obligations under this agreement. Termination will be effective when the BOARD sends written notice of termination to the BORROWER. Nothing in this section shall affect BORROWER obligations to repay the unpaid balance of the loan.

A copy of this amendment, consisting of 3 pages, shall be attached to and incorporated into the original agreement between the BOARD and the BORROWER. All other items and conditions of the original loan shall remain in full force and effect.

IN WITNESS THEREOF, the BOARD and the BORROWER have executed this amendment as of the date and year last written below.

PUBLIC WORKS BOARD

BORROWER

Kelly Snyder, Assistant Director

Signature

Print Name

Date

Title

APPROVED AS TO FORM ONLY

This 24th Day of March, 2003

Christine O. Gregoire

Attorney General

Date

Federal Taxpayer Identification Number

By: Signature on File _____

Jeanne A. Cushman

Assistant Attorney General

RESOLUTION NO. 5275

A RESOLUTION Authorizing the General Manager or His Designee to Execute a Water and Sewer Mutual Aid Agreement with Certain Water and Sewer Utilities in Snohomish County

WHEREAS, certain utilities that purchase wholesale water from the City of Everett, and are participating members of the Everett Water Utilities Committee (EWUC), and have been signatories to a Water and Sewer Mutual Aid Agreement (MUTAL AID AGREEMENT) developed in 1995; and

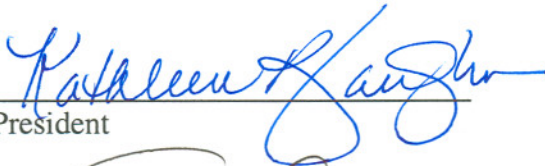
WHEREAS, signatories to the 1995 MUTUAL AID AGREEMENT have jointly proposed language revisions to clarify the terms and conditions of such Agreement for the mutual benefit of the parties; and

WHEREAS, District staff have participated in discussions with the EWUC and various members of EWUC, including the City of Everett, relative to such new terms and conditions and staff have recommended that the District enter into the proposed new agreement, a copy of which is attached to this resolution as Exhibit A and incorporated herein by this reference; and

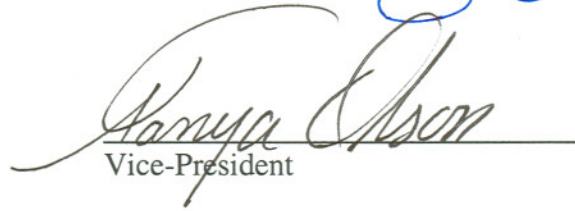
WHEREAS, based upon the information provided, the Board finds that it would be in the best interest of the District and its customers to enter into a Water and Sewer Mutual Aid Agreement,

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington, that the General Manager or his designee is hereby authorized to execute on behalf of the District the MUTUAL AID AGREEMENT – 2006 substantially in the form attached hereto as Exhibit 'A,' and incorporated herein by this reference.


PASSED AND APPROVED this 15th day of August, 2006.



President



Vice-President



Secretary

WATER AND SEWER MUTUAL AID AGREEMENT - 2006

THIS MUTUAL AID AGREEMENT is by and between all water and sewer utilities (Purveyors) in Snohomish County that have approved this Agreement, who are authorized to provide the benefits and undertake the obligations contained in this Agreement, and have executed this Agreement.

RECITAL

Subject to the terms and conditions below, each of the Purveyors agrees to provide personnel, materials and equipment to other Purveyors who are parties to this Agreement and who request assistance to handle a disaster or emergency.

AGREEMENT

It is agreed by the Purveyors as follows:

1. Request for Assistance. A Purveyor, through its Designated Official, may request another Purveyor to send personnel, materials and equipment to deal with a disaster or emergency. A request for assistance may be oral or written. If the request is oral, it shall be confirmed in writing by the requesting Purveyor's Designated Official as soon as practicable after the request. A written request or confirmation shall be in a form sufficient to demonstrate that it was made by a Designated Official. Each request or confirmation shall describe the equipment, personnel, materials, and other resources that are needed to address the disaster or emergency.

2. Definition of Disaster or Emergency. A disaster or emergency is an event or situation which (1) demands immediate action to preserve public health or protect life or property or (2) reaches a dimension or degree of destructiveness as to warrant the Governor of the State of Washington declaring a state of emergency.

3. Response to Request. The responding Purveyor, through its Designated Official, should, as soon as reasonably possible determine whether personnel, materials and equipment are available to respond to the request for disaster or emergency assistance. Following that determination, the responding Purveyor's Designated Official should, as soon as reasonably possible advise the requesting Purveyor of the availability of personnel, materials and equipment; and, if any or all of such items are available, the approximate time when such will be provided. The judgment of the responding Purveyor's Designated Official shall be final as to the availability of personnel, materials and equipment. A responding Purveyor shall not be liable to the requesting Purveyor or any person or entity for failing to respond to a request for assistance or provide personnel, materials and equipment. By signing this Agreement, any party who requests assistance pursuant to this Agreement waives and releases all claims for damages of any kind against any other party who fails to respond to a request for, or does not provide assistance, personnel, materials or equipment.

4. Control of Personnel and Equipment. Personnel and equipment of the responding Purveyor that are made available to the requesting Purveyor shall, to the fullest extent possible, remain under the control and direction of the responding Purveyor; the responding Purveyor shall be and remain at all times an independent contractor. The responding Purveyor's employees shall remain solely the employees of the responding Purveyor. The requesting

Purveyor shall coordinate the activities of personnel and equipment of the responding Purveyor, provided however, employees of the responding Purveyor remain employees of the responding Purveyor while performing functions and duties on behalf of the requesting Purveyor. The responding Purveyor shall retain the right to withdraw at any time some or all of its personnel, materials and equipment for any reason. Notice of intention to withdraw shall be communicated to the requesting Purveyor's Designated Official, as soon as possible; however, it need not be in writing. A responding Purveyor shall not be liable to the requesting Purveyor or any person or entity for first providing personnel, materials or equipment and later withdrawing some or all of the same personnel, materials or equipment, according to the provisions of this Agreement. By signing this Agreement, any party who requests assistance pursuant to this Agreement waives and releases all claims for damages of any kind against the responding Purveyor for withdrawing some or all of its personnel, materials or equipment that were provided pursuant to this Agreement.

5. Status of Personnel. All privileges, immunities, rights, duties and benefits of officers and employees of the responding Purveyor shall apply while those officers and employees are performing functions and duties on behalf of the requesting Purveyor, unless otherwise provided by law.

6. Indemnification. To the extent permitted by law, the requesting Purveyor shall protect, defend, hold harmless and indemnify all other responding signatory Purveyors, and their officers and employees from any and all claims, suits, costs, damages of any nature, or causes of action, including the cost of defense and attorneys fees, by reason of the acts or omissions, whether negligent, willful, or reckless, of the requesting Purveyor's officers, employees,

agents arising out of or in connection with any acts or activities authorized by this Agreement, and will pay all judgments, if any, rendered. This obligation shall not include such claims, costs, damages or other expenses which may be caused by the sole negligence of the responding Purveyors or their authorized agents or employees.

This indemnity obligation extends to all claims against the responding Purveyor by an employee or former employee of the requesting Purveyor, and for this purpose, by mutual negotiation, the requesting Purveyor expressly waives as respects to the responding Purveyor only, all immunity and limitation and liability under any industrial insurance act, including Title 51, other worker's compensation act, disability benefit act, or other employee benefit act of any jurisdiction which would otherwise be applicable in the case of such claim.

7. Insurance. A Purveyor shall maintain insurance or adequately self-insure for the activities of its personnel and equipment while operating under this Agreement.

8. Cost Reimbursement. The requesting Purveyor shall reimburse the responding Purveyor for the actual cost of providing assistance. The reimbursement will be based upon the responding Purveyor's regular schedule of hourly rates for personnel and equipment, and the actual costs of materials, reasonable food, lodging and out-of-pocket expenses; reimbursement shall include all salaries, benefits, administrative costs and overhead of the responding Purveyor, determined in accordance with the responding Purveyor's then-existing regularly adopted policies and practices. Reimbursement shall be made within 90 days after receipt by the requesting Purveyor of an itemized voucher of costs. The requesting Purveyor shall have the right to audit books and records related to the cost of providing assistance.

9. Authorization: Effective Date: Duration. A Purveyor shall authorize and approve this Agreement by formal action of its governing body. This Agreement shall be effective upon authorizing actions by two or more Purveyors and is subject to the termination procedures set out herein, and shall remain in effect as long as two or more authorizing actions are in effect. Upon an authorizing action and execution of this Agreement, a Purveyor shall send a certified copy of the action and the Agreement to the City of Everett. The Everett Utilities Director shall maintain a list of mutual aid Purveyors hereunder and the job title of their respective Designated Officials and shall send an updated list to all Purveyors annually, and whenever Purveyors are added to or eliminated from the list or whenever a Purveyor changes the job title or title holder of its Designated Official for this Agreement.

10. Rescission of Prior Agreements.

This Agreement, once formally authorized by each signing Purveyor, shall, one at a time, immediately supersede and rescind that same signing Purveyor's prior SEWER AND WATER MUTUAL AID AGREEMENT (developed in 1995) with all other signers of that Agreement.

11. Termination. This Agreement shall remain binding upon a Purveyor until that Purveyor repeals or revokes its authorizing action. Upon repeal or revocation, the Purveyor shall send a certified copy of the action to the Everett Utilities Director. Withdrawal from this Agreement shall not relieve the withdrawing Purveyor from the obligations incurred under this Agreement prior to the effective date of the withdrawal, which is the date upon which the withdrawing Purveyor delivers a copy of its repealing action or revocation to the Utilities Director for the City of Everett.

12. No Third Party Rights. This Agreement is for the benefit of the Purveyors who are active parties to this Agreement and no other person or entity shall have any rights under this Agreement as a third party beneficiary nor shall any Purveyor owe any duty to a third party not a signatory of this Agreement by virtue of this Agreement.

13. Designated Official. All Agreement references to the Designated Official, whose job title is identified at the end of this Agreement, shall refer to the holder of that job title or his or her designee. The Purveyor may, at its discretion, change the job title of their Designated Official by notifying the City of Everett.

Job Title of Designated Official for the purposes of initiating this Agreement:

Assistant General Manager, Water Resources
[Printed JOB TITLE]

Public Utility District No. 1 of Snohomish County
[Printed NAME of PURVEYOR]

By (Signature) _____

[Printed NAME, TITLE]

Dated: _____

ATTEST:

By (Signature) _____

[Printed NAME, TITLE]

Dated: _____

APPROVED AS TO FORM:

By (Signature) _____

[Printed NAME, TITLE]

Dated: _____

RESOLUTION NO. 5279

A RESOLUTION Revising the District's State Environmental Policy Act (SEPA) Procedures

WHEREAS, the Commission of Public Utility District No. 1 of Snohomish County, Washington has previously adopted procedures to implement the State Environmental Policy Act (SEPA); and

WHEREAS, Chapter 197-11 WAC directs the District in its SEPA procedures to designate or provide a method of designating the Responsible Official with speed and certainty, and it authorizes such designation to vary depending upon the nature of the proposal; and

WHEREAS, such position is currently held by the District's Assistant General Manager, Water Resources Division; and


WHEREAS, staff has recommended to the Commission that the Senior Manager, Environmental Affairs Division assume the duties of the District's Responsible Official;

NOW, THEREFORE, BE IT RESOLVED that the Commission of Public Utility District No. 1 of Snohomish County, Washington, adopts revised section 12.01.02 (2)(a) of the District's State Environmental Policy Act (SEPA) Procedures, as set forth in Exhibit A attached to this Resolution and incorporated herein by this reference and repeals Resolution No. 4402.

PASSED AND APPROVED this 13th day of September, 2006.



President



Vice-President



Secretary

EXHIBIT A

Section 12.01.02 (2) RESPONSIBLE OFFICIAL

(a) The Responsible Official for the District shall be the Senior Manager, Environmental Affairs; PROVIDED, that whenever such Senior Manager, Environmental Affairs is the District's project leader for a proposal, the General Manager shall appoint as the Responsible Official for such proposal an Assistant General Manager from a division other than Distribution Services and notify the Clerk of the Board, in writing, of such appointment.

RESOLUTION NO. 5367

A RESOLUTION Amending and Adopting District Water Utility Policies, and Revising Certain Rates and Charges for Water Utility Service

WHEREAS, Public Utility District No. 1 of Snohomish County, Washington (the "District"), from time to time, has adopted, reviewed and amended its Water Utility Policies and Rates for its water system to accommodate changing circumstances and District needs, and to improve customer service; and

WHEREAS, the District has full and exclusive authority under RCW 54.16.030 to regulate and control the use, distribution and price of its water utility services, and has the power and obligation under RCW 54.24.080, to establish, maintain, and collect rates or charges for water and other services supplied by the District which shall be fair, nondiscriminatory, and adequate to provide revenues sufficient for payment of its lawful obligations to fund its planned improvements, and to provide quality water service to its existing and new water service customers; and

WHEREAS, the District held a public hearing on August 5, 2008, to review the Water Utility's proposed amendments to its Water Utility Policies and to its customer service charges, and to provide District water service customers opportunity to comment thereon, and the Commission has considered the information and comments provided at such hearing; and

WHEREAS, Resolution No. 4848-J delegates to the District's General Manager broad authority to establish certain policies and regulations relating to water service, but reserves in the District's Commission the authority to establish the general terms, conditions and policies for water service provided by the District as set forth in Section 2; and the rates, charges, and fees

set forth in Appendix B of the District's Policies and Procedures Manual for Administration of Water Services, as it may be amended from time to time; and

WHEREAS, the Commission finds the proposed revisions to the District's Water Utility Policies and to its Fee Schedules are reasonable and appropriate, and in the best interests of the District and its customers.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, as follows:

Section 1. Effective August 6, 2008, Sections 2 and 3 of the District's Policies and Procedures Manual for Administration of Water Services shall be revised as described in Exhibits "B" and "C," respectively; and the District's Water Utility System Miscellaneous Fees, Table B-10, shall be revised as described in Exhibit "D." Each of such Exhibits is incorporated herein by this reference.

Section 2. Except as expressly modified hereby, Resolution Nos. 4848-J and 4860 shall remain in full force and effect.

PASSED AND APPROVED this 5th day of August, 2008.



President

(Not Present)

Vice President



Secretary

Section 2
**General Terms, Conditions,
and Policies for Water Service**

Section 2

General Terms, Conditions, and Policies for Water Service

2.1 General Provisions

2.1.1 Scope

Section 2 of this Policies and Procedures Manual provides the General Terms, Conditions, and Policies for furnishing and receiving water service. These terms, conditions and policies are a part of all proposals, offers, agreements, and contracts for furnishing and receiving water service relating to the District. A copy of this document shall be available for public inspection during regular District business hours in the District's Headquarters Building at 2320 California Street in Everett, WA.

2.2 Initiating and Terminating Service

2.2.1 Service Application or Contract

- (a) Each New Customer desiring water service must make application and may be required to sign an application form or contract prior to service connection.

Application for water service may be made at the PUD's Headquarters Building at 2320 California Street, Everett.

- (b) The District may, in some circumstances, accept application for service from a second party, with the understanding that the first party will sign an application within fifteen (15) days. Such second party shall be responsible for payment of services unless and until an appropriate written and signed service application is made by the first party and accepted by the District for the entire service period.
- (c) At the time of application, all New Customers shall be informed of connection fees and of any additional charges for services after regular service hours. Any claimed or actual failure to inform shall not, however, relieve the new customer of any such fees or charges.
- (d) Large industrial or commercial contracts may be written on a special form and shall contain such provisions and stipulations as may be

necessary or desirable to protect the interests of both the District and customer.

2.2.2 Agreement

Acceptance of service is subject to current District policies, rates, service requirements and regulations, with or without a written application or contract.

2.2.3 Owner/Agent Agreement

A contract may be entered into by any owner of rental property for the provision of uninterrupted service to such property between tenancies. The owner agrees to pay for water service charges during this period and until a tenant assumes responsibility for water service under these policies.

2.2.4 Initiation of Service

(a) Service will be initiated when the customer has met all District requirements and submitted:

- Proper application and a demonstration of credit sufficient for reasonable assurance that service bills and fees will be paid.
- Valid service and mailing address(es).
- Payments as required on outstanding accounts.
- Payment of applicable deposits and other fees.

(b) When new installations, conversions or upgrades of District facilities are required to provide service, requirements will vary as follows:

Newly constructed or upgraded services will require appropriate evidence of state, city or county plumbing inspection.

The District may, at its option, require the presence of a responsible adult in the building at the time the water is turned on. If required, and arrangements are made to have such adult present at a predetermined time, and if such person is not present, the District, at its option, may charge a fee commensurate with that listed in the District's Schedule of Charges and Fees to arrange a subsequent time to turn on the water. Only assigned District personnel may initiate a water service connection.

2.2.5 Disconnection of Service

- (a) Service may be disconnected for good cause, including (but not limited to):
- Violation of service requirements or regulations, rate schedules, contracts or plumbing codes.
 - Failure to pay fees or deposits.
 - Theft or illegal diversion of water.
 - Customer system leaks of which the District becomes aware and which cause or may result in significant water loss and/or property damage.
 - No one assumes responsibility for service.
 - Failure to pay water charges when due.

The District may also refuse or disconnect water service used in a manner that is seriously detrimental to the service being rendered to other customers as further described in Sections 2.3.5 and 2.3.16.

- (b) When disconnection occurs, the customer will be given a notice concerning such action and the process for reconnecting service. In the customer's absence, the notice will be left in a prominent place on the premises. Notice will also be mailed.

The nature of the notice required and the period of time before disconnection shall be reasonable under the particular circumstances with special consideration for the potential dangers to life and property.

- (c) The termination of service for any cause shall not release the customer from the obligation to pay for water received, fees owed, and charges specified in this Manual or in any existing contract.
- (d) Service will not be disconnected without a disconnect notice for nonpayment of bills.
- (f) While an appeal is pending, at the District's discretion, termination of service may be implemented by locking meter isolation valves or physical disconnection as the District may choose.

2.2.6 Reconnection

When service is disconnected for noncompliance with service requirements or regulations, nonpayment or fraudulent use, the service will not be reconnected until the situation is corrected to the District's satisfaction.

Before reconnection, the customer will be advised of current fees and charges for service restoration. (See Appendix B, Table B-10).

Only authorized District personnel may initiate and turn-on service to a water service connection. Appropriate charges, as specified in Appendix B, for turning on or reconnecting service will be assessed as applicable.

2.2.7 Termination of Service by a Customer

Except as may be otherwise provided for by a special contract or agreement with the District, when a change of occupancy or of legal responsibility takes place for water service to any premise being served by the District, the customer may terminate service by notification in person, by telephone or in writing to the District within a reasonable time prior to such change. The outgoing customer may be held responsible for all service supplied to the date notification is received by the District. The District reserves the right to read the meter(s) for a final bill within a one-week period from the date of notification to terminate, and such reading(s) may be adjusted for consumption, if any, used by subsequent customer(s). The final reading may be estimated by mutual consent of the customer and the District. Under some circumstances the District may, at its option, require written authorization from the customer paying for water service before discontinuing such water service.

2.3 Service and Equipment Requirements

2.3.1 Customer Facilities

- (a) **Plumbing and Equipment:** The customer shall install, own and maintain all plumbing and equipment beyond the delivery point, except meters and special facilities installed or furnished by the District. The customer's plumbing is to conform to:
- District's service requirements and regulations.
 - Applicable municipal, county or state requirements.
 - Accepted modern standards as set forth in the Uniform Plumbing Code.

2.3.2 Requirement of Adjacency to District Main

In order to be served by the District's water system, the customer's property must lie adjacent to a District water main. If the customer desires water service, and if the customer's property lies remote from a suitable District main, the customer shall be required to extend the main through or past his/her property and pay for all costs associated with the main extension.

The AGM of Water Resources, or his/her designee, shall have the authority to waive the requirement of adjacency to a District main when the District deems it to be in the best interests of the District to do so.

2.3.3 Placement of Service Equipment

- (a) It is preferable that water services not be over 300 feet from the meter to the point of use in order to maintain adequate pressure. Services over 300 feet in length are permitted; however, the District will not guarantee adequate pressure for these services.
- (b) The customer's service pipe shall be extended eighteen (18) inches beyond the meter. The water service pipe shall be installed at a location mutually agreeable between the District and customer. The District will install the meter, meter box, and tailpiece assembly.

Private service lines shall not cross other parcels, nor shall they be constructed in public rights-of-way or in private rights-of-way solely dedicated to another property without the express approval of the AGM of Water Resources or his/her designee.

Evidence of permission to make such crossings shall be provided to the District at the time of application.

District and all necessary permits, easements or other authorization shall be obtained at customer expense.

2.3.4 Responsibility for Maintenance

The District is responsible for maintaining its facilities and equipment to the point of delivery. The customer owns and maintains equipment beyond the point of delivery. (See Subsection 1.8.11)

2.3.5 Safeguard of District Facilities

The customer shall provide space for, and exercise proper care to protect any of the District's facilities on the customer's premises. This shall include meters and other facilities installed by and remaining the property of the

District. Any person knowingly and maliciously damaging or tampering with District meters and other equipment, reconnecting a previously disconnected meter for the purpose of restoring utility service or tampering with any District equipment with the intent of defrauding or illegally diverting utility service may be prosecuted by the District in accordance with Chapter 9A.56 RCW. In addition, in the event of unauthorized connection, and loss or damage to the District's property, the District may collect from the customer the charge for estimated unmetered water, the cost of facility repairs and replacement, administrative costs, attorneys' fees, and other costs authorized or awarded pursuant to RCW 80.28.240. The District shall also bill the customer for reasonable administrative costs that shall include all time and expense by District personnel to resolve the situation. This charge will be in addition to the charge for estimated unmetered water.

- (a) The District may refuse service or disconnect service to customers when conditions are known by the District to be defective or out of compliance with codes, regulations or requirements. The District is not liable for loss or damage to persons or property resulting from defects or negligence:

- By the customer beyond the point of delivery, or
- In the customer's installation, facilities, or equipment.

- (b) When an individual's action might endanger District property or interrupt water service, may direct a crew or serviceman to standby. Cost for this service may be charged to the party responsible for the situation.

Should loss or damage occur to District property, the responsible party may be charged for repair or replacement cost, administrative time and expense and estimated loss of unmetered water. However, if a District employee is at the site and approves the method and work, the charge to the customer may be modified or waived.

2.3.6 Access to Premises

- (a) The customer is to provide District representatives with safe, clear access and entry to customer premises for service related work. The District's facilities must remain unobstructed and accessible at all reasonable times so the District may:

- Install, inspect, maintain or remove equipment or plumbing.
- Read, connect, disconnect or inspect metering devices.
- Inspect customer owned cross-connection control devices.

- Inspect all customer water facilities to ensure there are no cross-connections. At any time a cross-connection is discovered, and it is not immediately remedied by the customer, the District reserves the right to terminate water service to the customer until such cross-connection is removed.
- (b) For locked District equipment, the customer will provide the District with an access key. When necessary for customer convenience, the District may install an accessible keybox, for which the customer will be charged a standard fee.
- (c) The customer shall provide space and protection for District facilities on the customer's premises, including meters, and other equipment installed by and belonging to the District.
- (d) Although the customer is responsible at all times for maintaining customer-owned equipment, the District may inspect customer equipment before or after service connection.

However, such inspection, or lack of inspection, shall not be construed as placing upon the District any responsibility for the condition, or maintenance of the customer's plumbing; nor does it guarantee the absence of cross-connections in the customer's service.

2.3.7 Separate Service for Each Lot, Property, or Residence

Each lot, property, or residence will be required to have a separate water service, except as provided for in this subsection. Customers shall not extend a service line to an additional residence without the written consent of the District.

- (a) Each multi-family residential structure may be served by either a joint meter or individual meters for each unit, at the option of the property owner.
- (b) Commercial, industrial, institutional, or governmental customers with facilities occupying multiple lots or structures under a single ownership, may be served by either joint meters or individual meters for each structure, at the option of the owner.
- (c) Multi-tenant commercial, industrial, institutional, or governmental properties or structures may be served by either joint meters or individual meters for each tenant, at the option of the owner.

- (d) A single meter may serve multiple residential lots or properties if the District approved such an arrangement in advance and the customer has all necessary authorization to operate a public water system.
- (e) One meter may be used to provide water service to separate, non-rented, and primarily non-commercial structures on the same property, if they conform to applicable zoning and applicable County and/or city regulations.

If joint metering is used, the customer shall be the property owner. The property owner shall be responsible for the entire billing unless one tenant agrees in writing to assume the entire bill.

2.3.8 Multiple Meters

When a customer's service requires application of more than one rate schedule, one meter will be installed for each applied schedule. Each meter will be billed separately unless otherwise specified in a special contract.

The customer will be responsible for purchasing and installing any additional meters desired for customer purposes, and for placing such meters on the customer side of the District meter. Such meters shall be as approved in advance by the District, and shall be installed at the customer's sole expense, and in a manner and location as approved by the District.

The builder of a multiple-unit complex is required to permanently and accurately number meters and corresponding building units.

2.3.9 Meter Testing

The District will, at its own expense, inspect and test its meters as required to ensure a high standard of accuracy. Additional tests at the customer's request will be made; and if the meter is found to register within two (2) percent of accuracy, the District may charge a test fee (see Appendix B) for all such tests made at intervals more frequent than once in three (3) years. If the meter is found to register in excess of two (2) percent, fast or slow, the District will pay for the testing and will adjust the customer's billing for the known or assumed period of error, not to exceed the previous six (6) months.

2.3.10 Pressure Reducing Valves

Pressure reducing valves (PRVs) serve to protect customers' plumbing and appliances from damage due to high water pressure. A pressure reducing valve shall be installed when the District determines that water pressure at a service location exceeds 80 pounds per square inch (psi). The following conditions shall determine how the installation is performed:

- (a) For pressures greater than 80 psi, but not more than 120 psi, the customer may select one of the following options:
- At the time the meter is installed, the District will install a PRV on the District side of the meter, for a one-time set fee (see Appendix B, Table B-1). After the PRV is installed, the District will be responsible for its maintenance, repair, and/or replacement at no additional cost to the customer. However, if the customer does not request the District to install a PRV at the time of meter installation, and later requests the District to install a PRV, the full cost of installation will be charged to the customer, rather than the set fee.
 - The customer may install his/her own PRV, or have a plumber install it, on the customer side of the meter, at the customer's expense. In this case, the property owner will be responsible for maintenance, repair or replacement.
- (b) For pressures greater than 120 psi:
- At the time the meter is installed, the District will install a PRV on the District side of the meter, for a one-time set fee (see Appendix B, Table B-1). After the PRV is installed, the District will be responsible for its maintenance, repair, and/or replacement at no additional cost to the customer.

2.3.11 Booster Facilities

The District may boost service pressure via a customer-owned and maintained individual booster pump housed in a suitable location on the customer's property. This method of service shall only be considered in limited circumstances where: 1) a positive pressure of 30 psi cannot be provided during peak hourly design conditions; 2) a multiple customer booster facility is not feasible; and, 3) where the customer is located in close proximity to a storage reservoir that will provide positive pressure to the suction side of the individual booster during peak hourly demand flow and fire flow conditions. If these conditions are met, service shall be conditioned upon agreement to pay a Boosted Minimum Charge (see Appendix B, Table B-6) in addition to other applicable service charges. The property owner shall provide a suitable location, power supply, and suction/discharge piping in accordance with the District's Standards and Specifications. In addition, the customer shall sign a Boosted Service Agreement which outlines the terms and conditions of such service.

This section does not apply to design of water systems for new developments.

2.3.12 Cross-Connection Prevention

Cross-connections between the District's water service and any other source of water are prohibited, unless authorized by the District in combination with the use of a backflow-prevention assembly. Service connections and individual customer plumbing systems shall be constructed and maintained so as to prevent backflow of potentially contaminated water into a potable water system. The control or elimination of cross-connections shall be in accordance with the provisions of WAC 246-290-490, as modified from time to time.

The District reserves the right to inspect all customer water facilities to ensure that no cross-connections exist, in accordance with District policies on access to premises (see Section 2.3.6). At any time an unauthorized cross-connection is discovered and it is not immediately eliminated, that water service will be terminated until the cross-connection is eliminated.

2.3.13 Backflow-Prevention Assemblies

The District may, at its sole discretion, permit or require a customer to install a backflow-prevention assembly on the customer's plumbing system or service connection. Customers required to install backflow prevention assemblies include, but are not limited to, those who:

- (a) operate commercial or residential fire sprinkler systems connected to their plumbing;
- (b) operate an irrigation system connected to their plumbing;
- (c) maintain cross-connections of their water system with air-conditioning systems, medical equipment, or other devices or processes where chemicals, microorganisms, or other objectionable substances may be drawn into the water system;
- (d) own or maintain systems that, in the judgement of the AGM of Water Resources or his/her designee, compromise the health and safety of other users of the District's water system.

The entire cost of installing a backflow-prevention assembly shall be borne by the customer, and the assembly shall remain in the customer's ownership and as the customer's responsibility.

Periodic inspections and repairs of backflow-prevention assemblies, as required by WAC 246-290-490, shall be arranged by customers at their own expense, using firms or individuals who are licensed cross-connection control specialists. A signed copy of the inspector's completed report shall be

provided to the District to confirm that assemblies are operating in a satisfactory manner.

Inadequate maintenance of a backflow-prevention assembly shall be grounds for termination of water service.

2.3.14 Relocation of Delivery Points

- (a) A customer's delivery point may be relocated at the customer's request, subject to advance payment of the estimated cost of relocating the District's service pipe, meter and other facilities. The customer shall be responsible for relocation of the service line to the new location. The District will disconnect the old service at the meter and connect the new service.

The District may reduce the costs to be charged to the customer for relocating any of the District's facilities, as requested by a customer, to the extent that such relocations may benefit the District. In determining the amount of such reduction, the District will give consideration to the remaining physical life of facilities or equipment replaced, the improvement to the system operations, and any increased revenue that will accrue to the District as a result of such relocations.

- (b) A customer shall be responsible for the relocation of a meter box when property alterations have been made which leave meter access or location unacceptable to the District. The District may disconnect service when the meter box is not satisfactorily relocated.

2.3.15 Resale

Customers may resell water only with prior, written District authorization. Rates charged may not exceed rates the District charges for similar service; provided that the prohibitions in this Section shall not apply when resale is pursuant to the terms of a valid wholesale agreement entered with the District.

2.3.16 System Disturbances

Water service shall not be utilized in such a manner as to cause severe disturbances or pressure fluctuations to other customers of the District. If any customer uses equipment that is detrimental to the service of other customers of the District, the District may require the customer to install, at his/her own expense, equipment to control such disturbances or fluctuations.

2.3.17 Freezing

It shall be the customer's responsibility to protect from freezing all piping, fixtures and appurtenances on the customer's side of the point of delivery. Any damage resulting from freezing shall be considered the responsibility of the customer.

2.3.18 Interruption of Service

- (a) It is the District's intent to provide adequate and continuous service with minimum interruption. However, the District:
- does not guarantee against occasional curtailment or failure of water service;
 - shall not be liable for resulting injury, loss, or damage; and
 - shall not be considered in breach of contract for temporary interruption of service.
- (b) Repairs or improvements to facilities requiring temporary service interruption occur occasionally. They will be expedited and timed to minimize customer inconvenience. When possible, a preceding notice will be sent to the customer.
- (c) If the customer's water service fails, the customer shall endeavor to determine if the cause is on the District's side or the customer's side of the meter.

When the District responds to a customer call after service hours, and the problem is found to be with customer equipment, the District will make no repairs. The customer will be charged a set fee for such response. (See Appendix B, Table B-10)

2.3.19 Additional Water Supply

A customer desiring a District change in the capacity of its service connection and meter to supply increased quantities of water shall notify the District sufficiently in advance so that the District may, if determined by it to be economically feasible, provide the facilities required to supply increased quantities of water. The customer shall pay in advance the cost of any such facilities.

2.3.20 District Representation by Employees

Except as specifically authorized in these policies and regulations, no promise, agreement or representation of any employee or agent of the District, with reference to the furnishing of water service by the District, shall be binding on the District, and in no event shall the same be binding on the District unless the same shall be in writing signed by the Assistant General Manager or his/her designee.

No inspector, agent or employee of the District may ask, demand, receive or accept any personal compensation for any service rendered to a customer in connection with supplying or furnishing water service by the District.

2.4 Meter Reading, Billing, Payment and Collections

2.4.1 Meter Reading

- (a) Meters will be read on monthly or bimonthly cycles at District option. The District may alter or reroute its meter reading and billing cycle dates when such alteration or rerouting is in the best interest of the District.
- (b) Opening or closing readings may be prorated.
- (c) Special meters may be installed on any account when the nature of the customer's equipment and operation so indicates for correct rate schedule application and/or customer service improvement.

2.4.2 Multiple Delivery Points

The rates of the District are based upon the supply of service to the entire premises through a single delivery and metering point. Separate supply for the same customer at other points will be separately metered and billed. Unless otherwise specified in a contract, the District will not totalize metering of separate points of supply or services.

2.4.3 Billing

Bills will be sent to the mailing address furnished by the customer. Failure to receive a bill will not release the customer from the obligation to pay for services provided in a timely manner.

Bills will be issued monthly or bimonthly, depending on the reading cycle and assigned payment plan and generally will be based on exact meter readings. Bills may be estimated when:

- Meter is not accessible to meter reader;
- Meter is under snow or water;
- Meter malfunctions;
- Other circumstances beyond District control interfere with meter reading.

In the event that bills are estimated, an adjustment will be made at the time of the next regular billing that is based on an actual meter reading.

The District will send bills and notices by first class mail. A customer who does not provide a proper mailing address or a means of receiving mail, may be subject to disconnection.

2.4.4 Payments

The customer's obligation to pay a bill accrues on the date the bill is issued. Payment is due by the due date on the bill. Payments will be considered made when received at the District office. Payments are to be accompanied by a billing remittance slip or account number.

2.4.5 Payment Plans

Customers will have an opportunity to keep water service accounts current through optional payment programs arranged through a customer service representative.

2.4.6 Adjustments

Pursuant to Resolution No. 4860 adopted by the Snohomish PUD Board of Commissioners on July 13, 1999, certain Water Resources staff have authority to grant adjustments when it is demonstrated that the cost of continuing to deny the customer's request substantially exceeds the amount in dispute and results in reduced customer satisfaction.

Authority Levels:

| | |
|--|-----------------------------|
| AGM of Water Resources | Up to \$500 each occurrence |
| Sr. Mgr., Water Resources Administration | Up to \$100 each occurrence |
| Water Utility Specialist | Up to \$20 each occurrence |
| Water Utility Associate | Up to \$20 each occurrence |
| Water Utility Administrator | Up to \$20 each occurrence |
| Water Services Liaison | Up to \$20 each occurrence |

- (a) In the case of incorrect application of rates, stuck meters, or clerical errors, retroactive billings will be made for the previous six billings on monthly-billed accounts, or three billings on bimonthly-billed accounts. In the case of billing to the wrong customer due to meter misidentification, adjustments will be made three years back.

A final balance (debit or credit) of less than one dollar may be routinely written off by the District. When it has been determined that a customer has received unmetered service or when the customer has caused the service furnished to be improperly or inaccurately metered, the District may render bills for such service based upon its reasonable estimate of the service actually furnished for the full period during which the service was unmetered or improperly metered, or as provided in Section 2.3.9. However, in those cases where the premises have been remodeled resulting in a situation whereby more than one customer is served by one meter, no adjustments will be made and the account customer of the premises shall be required to assume responsibility for the billing effective the last regular reading date unless another person agrees in writing to assume full responsibility for the billing.

- (b) A customer may be eligible for a water bill adjustment in the event of a loss of water through abnormal conditions when the cause is deemed by the District to have been undetectable and not resulting from a lack of normal maintenance by the customer. No adjustments shall be made in water charges for losses resulting from customer negligence, improper operation of plumbing by the customer, and/or failure of the customer's plumbing system. The section of service line qualifying for a potential leak adjustment is between the point of delivery at the meter box and the house or facility. Taps off the service line, and any leaks resulting from such taps (such as, but not limited to, irrigation, swimming pools, outdoor hose bibs), would not be eligible. The date that qualifies as "official notification" of a leak varies depending upon the circumstances.
- (1) If a District employee identifies a potential leak, written notification will be mailed to the customer. A door hanger may also be left in a prominent place at the residence. The date of the letter will serve as the "official notification" date.
- (2) If the customer contacts the District regarding the possibility of a leak, a visit to the site address will be initiated. Upon verification of a qualifying leak, a letter will be mailed to the

customer. The date of the letter will serve as the “official notification” date.

Once a leak has been identified, the customer will be provided with a ten (10) day period to conduct the repairs during which the adjustment period will continue.

The time period during which a customer could expect to receive an adjustment is from the “official notification” date back to the previous billing period and forward to include the ten (10) day period allotted for repair. Retroactive adjustments will not exceed the previous six (6) billings on monthly billed accounts or three (3) billings on bimonthly billed accounts.

The customer’s water account will be adjusted by 50 percent for the excess amount of water used during the eligible time frame.

The methodology for determining excess amount of water over normal consumption will be determined by the previous years’ history for an existing customer; an average use of 1,000 cubic feet per month will be used as the “normal use” base for new customers or customers without sufficient consumption history.

A customer is eligible for one leak adjustment per twelve (12) consecutive months, from the time of a previous leak adjustment. Additional adjustments may be provided if, in the District’s opinion, a good faith effort was made by the customer to repair the leak and new circumstances have caused further leaking.

The AGM of Water Resources or his/her designee will be responsible and accountable for authorizing adjustments.

No adjustment shall be made in the water billing that are caused by freezing.

2.4.7 Reminder Notices

Reminder notices will be sent on past due bimonthly accounts. An account is past due 16 days after billing date.

2.4.8 Disconnect Notices

- (a) Disconnect Notices for bimonthly accounts will be mailed no sooner than 15 days after Reminder Notices; and for monthly accounts, within two days after a regular bill shows an arrears. The notice will be for arrears only.

- (b) A brochure explaining credit, disconnect policies and customers' rights and remedies, will accompany each Disconnect Notice.
- (c) A fee may be charged when a field collection call is required and no disconnection is made. (See Appendix B, Table B-10)
- (d) Disconnection will occur following the due date on the notice unless:
 - The delinquent payment has been received at a District office by the due date.
 - A deferred payment agreement has been reached.
 - The customer has appealed the action.
- (e) Exceptions: In certain instances, where health, safety or essential services would be otherwise jeopardized, or for purposes of economy, the District may withhold disconnect notices.

2.4.9 Collection

While considering individual customer needs, the District is obligated to make prudent collections. Reasonable collection methods will be used, including disconnection of service, collection agency assignment, or lawsuit

- (a) Undercharges/Overcharges: The District will, within one year after it becomes aware of undercharges/overcharges that are a result of its error, take action to collect/credit all amounts that were undercharged/overcharged during the three years prior to the date upon which the District became aware of the error, or back to the date of responsibility change, whichever is more recent. If the District fails to act during that one-year period, no collection action will be taken. No action shall be taken to collect/credit any undercharges/overcharges resulting from District error, for water utility services that the District delivered more than three years before it became aware of that error.
- (b) Payment for Undercharges: A customer may pay amounts undercharged as a result of District error, without interest, in installments of approximately equal amounts during a period that is no longer than the period for which the customer is being charged for undercharged services. If a customer does not agree to pay for undercharged water utility services or, if having agreed fails to make payment, normal District collection practices will be followed.

2.4.10 Extenuating Circumstances

- (a) The District will a deferred payment plan with customers temporarily unable to pay on time due to extenuating circumstances. The availability and terms of a deferred payment plan will be based on a review of the individual customer's situation, including:
- Amount and age of delinquency.
 - Past payment record.
 - Ability to pay.
 - Demonstration of good faith.
- (b) Employees will give customers available information on other resources for assistance, when appropriate.
- (c) Service will not be terminated for inability to pay when termination would be especially dangerous to health of a resident, as determined by the District if the customer has made application to appropriate agencies for assistance and payment is pending.

2.4.11 Insolvent Accounts

If the District has reason to believe a customer to be insolvent, in financial difficulty or contemplating bankruptcy, appropriate action may be taken to secure payment of charges due. Requirements may include an adequate security deposit, altered payment schedule, or other actions deemed necessary and reasonable by the District.

2.4.12 Transfer of Unpaid Balances

A water service customer's previous unpaid balance may be transferred from one service address to another as part of the customer's current water service obligation and subject to the District's requirements for payment.

2.5 Dispute Resolution

2.5.1 Mandatory Hearing

Any customer or other person who believes that he/she has been adversely affected by a decision which the District has made to:

- (a) Terminate the delivery of water service (i.e., disconnect the customer);
or

- (b) Refuse to deliver water service (i.e., not connect the customer); or
- (c) Require the customer to pay for water service previously delivered (i.e., transfer an outstanding balance to a new water or electric account); or
- (d) Require the customer to make periodic payments in specific amounts to pay for water service previously delivered as a condition of receiving water service (i.e., require a payment plan); or
- (e) Require the customer to provide security as a condition of receiving water (i.e., require a security deposit); or,
- (f) Require the customer to pay a fee or penalty; (e.g., reconnection fee, account service fee, etc.);

Has the right to have that decision reviewed in a hearing to be held by a District Hearing Officer.

2.5.2 Discretionary Hearing

The District may, at its discretion, with the approval of the General Manager or his/her designee, provide a hearing to any customer who believes he/she has been adversely affected by any decision of the District on any matter other than the decisions listed in Section 2.5.1.

2.5.3 Binding Decision

The decision of the Hearing Officer shall be final, unless either party elects to challenge the decision in a court of law.

2.5.4 Written Hearing Request

A request for a hearing must be made in writing signed by the customer or by someone with legal authority to act on the customer's behalf. Each hearing request must include a short and plain statement of both the decision to be reviewed and the relief which the customer is requesting. In addition, each hearing request must include an address to which notices, including notice of the hearing date and location, the decision of the Hearing Officer and any other written communications may be mailed to the customer.

2.5.5 Delivering Request for Mandatory Hearing

The customer's written request for a mandatory hearing must be delivered to the District's Office of General Counsel, Customer Service Department, or to the Senior Manager, Water Resources Administration.

2.5.6 Delivering Request for Discretionary Hearing

If the District has informed the customer that it will provide a discretionary hearing, the customer's written request for a discretionary hearing must be delivered to the District's Office of General Counsel or to the office of the District official who agreed to provide the hearing.

2.5.7 Hearing Date

The Office of General Counsel will determine the date and time of the hearing, which shall be held at the District's Central Administrative Office Building within ten (10) business days after the hearing request is received in General Counsel's office: PROVIDED, that a hearing date will not be established if the written hearing request does not include an address to which notices to the customer may be mailed or if the written hearing request is, in the opinion of the Office of General Counsel, otherwise materially deficient.

2.5.8 Notice of Hearing

The Office of General Counsel will mail notice of the hearing or, under the circumstances described in Section 2.5.7 above, notice that a hearing date will not be established by first class mail, postage prepaid, to the customer at the address set forth on the hearing request within three (3) business days after the hearing request is received in General Counsel's office.

2.5.9 District's Action Stayed Pending Receipt of Written Request for Hearing

If a customer:

- (a) Contacts the District within three (3) business days after receiving notification, whether written or oral, of a decision of the District; and
- (b) Is orally informed that the customer may have a hearing to review that decision; and
- (c) States, within one (1) business day after being informed that a hearing is available, that the customer intends to request a hearing;

Then, as a result of the statement of intent, all District action which would be taken as a result of the decision shall be stayed until the written request for a hearing is received by the District or for a period of six (6) business days after the date upon which the customer orally stated that a hearing would be requested, whichever is earlier.

2.5.10 District's Action Stayed Pending Hearing

If the District receives a written request for a hearing within the time set forth in Section 2.5.9 above, all District action which would be taken as a result of the decision shall be stayed until Noon five (5) business days after the Hearing Officer's written decision on the matter is received by the Office of General Counsel: PROVIDED, that if a hearing date is not established for a reason set forth in Section 2.5.7, District action will not be stayed.

2.5.11 Security Deposit Pending Hearing

If a customer requests a hearing to dispute a debt for water service which exceeds \$1,000 and the customer wishes to receive water service until the hearing is held, the customer must provide security for the water service to be provided by the time the written request for a hearing is delivered to the District. The amount of security will be the amount of money that will reasonably accrue from the usage of water, based upon prior usage at the facility involved, from the date the customer orally informs the District that a hearing will be requested until thirty (30) days thereafter.

2.5.12 Performance Pending Hearing

All obligations, which are not the subject of the dispute to be decided by a Hearing Officer, shall be performed by the District and/or the customer. This shall include, in the case of a dispute over amounts to be paid, the payment of all non-disputed amounts.

2.5.13 Failure to Appear

If a customer fails to appear for a hearing within fifteen (15) minutes after the time set forth in the notice of hearing, the customer will be in default, and the Hearing Officer shall decide the disputed matter in favor of the District and the customer shall be required to pay a penalty (see Appendix B, Table B-12) which may be added to any existing account of the customer. If the customer fails to appear, the customer's request for another hearing will not be granted unless the failure to appear was caused by an emergency or because of the occurrence of an unforeseeable circumstance or event, which shall be determined by the Office of General Counsel, and the customer pays the penalty prior to the subsequent hearing. In such case, the subsequent hearing must be held within five (5) business days of the original hearing.

2.5.14 Continuances

Any request for a continuance shall be made to the Office of General Counsel, which shall grant such a continuance only in the case of an emergency or because of the occurrence of an unforeseeable circumstance or event. Any request for a continuance made by a customer which is not received at least twenty-four (24) hours (i.e., one complete business day) before the scheduled hearing may result in an award in costs to the District (see Appendix B, Table B-12) which may be added to any existing account of the customer.

2.5.15 Representation

A customer may represent himself/herself or may be represented by an attorney, relative, friend, or any person other than a District employee. The District will not be represented by an attorney unless the customer is so represented. If the customer is to be represented by an attorney, the customer must inform the District of that fact at the time the written request for a hearing is delivered to the District, or if the services of an attorney are procured later, then as soon as such representation is arranged.

2.5.16 Evidence

The Hearing Officer may consider evidence that will assist the Hearing Officer in reaching a decision and may give effect to the rules of privileged communications (e.g., attorney/client privilege, husband/wife privilege, etc.) under the law. Information that is irrelevant and unduly repetitious may be excluded. Documentary evidence may be received in the form of copies or excerpts. Each party shall have the right to ask questions of persons who make statements at the hearing.

2.5.17 Legal Authority

The Hearing Officer shall apply as the first source of law District Resolutions, Code and Regulations. If none of these govern or decide the issue(s) presented, the Hearing Officer shall resolve the issue(s) on the basis of the best legal authority and reasoning available, including that found in the state and federal constitutions, statutes, and court decisions.

2.5.18 Limitation on Authority

The Hearing Officer shall not have the power to declare a District Resolution, Code provision, regulation or any portion thereof invalid for any reason, but may allow argument to be made for purposes of subsequent review.

2.5.19 Review of District Action

If the dispute involves a question of whether the customer is indebted to the District, the District must establish the customer's obligation by a preponderance of the evidence. If the dispute involves a question of whether a District decision is inconsistent with the regulations of the District, the customer must establish that the District's decision is a willful and unreasonable action made without consideration and in disregard of facts and circumstances.

2.6 Rates, Fees and Charges

2.6.1 Service Connection Charge

- (a) A Service Connection Charge (SCC) shall be charged to all New Customers connecting to District facilities, and to all existing customers requesting additional service work. The amount of the SCC is shown in Appendix B, Table B-1.
- (b) Additional costs for services may be required if the service will be connected to a main previously constructed, under the District's line extension policy (see Section 3.3).

2.6.2 General Facilities Charge (GFC)

A General Facilities Charge (GFC) is applied on new service connections to compensate for costs the District incurs in construction or acquisition of water system general facilities, (i.e., source, storage, treatment and transmission facilities); required to support the addition of the new customers. The GFC amount is based on the demand a new water service connection is expected to place on the water system (see Appendix B, Tables B-2 and B-3). Equivalent Residential Units (ERU) will be used to represent

the demand a given service will place on the District's water system and consequently that service's respective share of the costs of the District's water system general facilities. The following procedures apply to payment of the GFC:

- (a) All New Customers connecting to a District water main or expanding their service connection shall pay a GFC, except as follows:
 - (1) The GFC shall not apply to extensions, new developments, or subdivisions where water facilities are financed under the LUD process (see Section 3.3.2).
 - (2) If a New Customer provides documentation, acceptable to the District, that the applicable GFC for such customer's requested connection has already been paid through past payment by a Developer, or other means, the GFC shall not be applied.
- (b) Where construction of a development or subdivision requires connection of a new Developer-installed main extension to the District's water system, the Developer has the option of paying the total applicable GFC for all lots at the time of conveyance of the main extension to the District, or deferring payment of the GFC applicable to any individual lot until a service connection is requested for such lot (see Appendix B, Table B-2).
- (c) Where a development or subdivision is constructed within the boundaries of the District's integrated water system, but connection with the District's integrated water system is deemed by the District in its sole judgment to be impracticable at the time of construction, such development or subdivision may construct and utilize a separate, temporary water supply, storage and distribution system, to be owned and operated by the District. Such system shall be attached to the District's integrated water system at District cost at such time that the District deems attachment practicable and appropriate. The Developer of the development or subdivision has the option of paying the GFC at the time of conveyance of the new distribution system to the District, or deferring payment of the GFC applicable to any individual lot until a service connection is requested for such lot (see Appendix B, Table B-2).
- (d) When the Developer chooses to defer the payment of the GFC, an adjusted GFC amount shall be applicable in order to permit the District to recover administrative costs and interest costs associated with delayed payment (see Appendix B, Table B-2).

- (e) When the Developer chooses to defer the payment of the GFC with regard to any specific parcel of property to be connected to the District's water system (including, in the case of a condominium, any unit or common area) the Developer shall be obligated to disclose to the initial purchaser of such parcel of property that a GFC is due and must be paid to the District prior to installation of a meter and connection of such parcel to the District's water system. Installation of a meter and connection of a parcel of property, including a condominium unit, to the District's water system shall not occur until all applicable fees have been paid to the District including but not limited to the required GFC.

A Developer who fails to provide the disclosure required in this subsection shall defend, indemnify and hold the District harmless from and against any and all claims, demands, losses, costs and damages of whatsoever nature, including attorney fees and costs, incurred by the District as a result of such failure.

- (f) The District shall determine the appropriate number of ERUs to be assigned to any and all New Customer connections. The General Facilities Charge for a subdivision constructed under the circumstances described in subsections b and c above where the Developer has chosen to pay the GFC at the time of conveyance to the District of the Developer-installed main extension or water distribution system, shall be based upon the total of the estimated number of ERUs assigned by the District for each parcel of property in the development or subdivision. If the use classification or the number of dwelling units for any parcel changes between the date of the estimate and the date of application for service to such parcels, causing a change in the estimated ERUs applicable, the General Facilities Charge shall be recalculated accordingly. The recalculation shall be based upon the new number of ERUs. If the recalculated General Facilities Charge is greater than the original payment, the applicants for service to parcels which have a different use classification or a different number of dwelling units shall pay the difference between the recalculated General Facilities Charge and the estimated General Facilities Charge. No refunds will be made by the District where the recalculated charges are less than the original payment.

In recalculating the General Facilities Charge, the rates in effect at the time of the recalculation shall be used; and for purposes of calculating the difference that the applicant shall pay, the estimated

General Facilities Charge shall be recomputed based upon the rates then in effect.

- (g) The General Facilities Charge shall also apply to an LUD or to the identified and assessed individual properties contained therein at the time of formation. Properties within an LUD are subject to the applicable LUD GFC. However, once an LUD has been established and the final assessment roll confirmed, any additional individual water service customer within an established LUD requesting a new water service connection or adding to the number of ERUs to be served by that customer's existing water service connection shall be deemed a "New Customer," and be subject to the General Facilities Charge imposed at the time of connection (see Section (h) below).
- (h) In all cases, the GFC paid shall be based upon the GFC in effect on the date of payment.

2.6.3 Distribution System Charge (DSC)

The Distribution System Charge (DSC) is assessed to compensate for costs the District and its existing customers have paid to install the system's existing local distribution network, or for the costs of installing new distribution lines required to support the addition of the new customers.

The DSC applies to each New Customer connecting to a District-owned water main when such New Customer has not contributed to the cost of the water main either through an LUD assessment, other charge imposed by District policy, or through purchase of an individual parcel specifically for which the water main extension was originally installed. The DSC also applies to each New Customer within satellite systems in cases where the conditions for District acquisition of the system include payment of the DSC.

Depending on the type of development, the DSC is calculated as either a standard charge per connection, or as a charge based on front footage. The DSC for various types of service is shown in Appendix B, Tables B-4 and B-5.

Payment of the DSC is required with regard to each of the following situations:

- (a) Whenever construction of a development or subdivision includes connection to a District main **and** extension of a new or the replacement of an existing main by the developer along the entire frontage of the proposed development or subdivision is **not** required, a DSC shall be imposed upon the Developer.

- (b) Whenever a lot for which a DSC has been paid is subdivided, and additional water connections are made to serve the new lots created by subdivision, an additional DSC shall be collected from the Developer or each New Customer connecting to a District main.
- (c) Whenever a New Customer connects to a District main under an Interim Connection Agreement (ICA), a DSC shall be imposed.

Where applicable, a DSC collected from a New Customer shall be paid as reimbursement to the individual or developer responsible for installation of the water main, in accordance with Section 3.3.9 of this manual.

In the case of a New Customer connection to a water main installed through a completed LUD process, the DSC collected shall be paid as reimbursement to the District; the DSC shall be equal to the apportioned distribution system cost assessed to each participating LUD property, or the current DSC amount, whichever is greater.

2.6.4 Rate Schedules

- (a) The District has rate schedules for particular types of service provided. A summary of these charges is provided in Appendix B. For specific detail, refer to the Rate Schedules. In case of conflict between the provisions of any rate schedule or special contract and this Policies and Procedures Manual, the provisions of the rate schedule or special contract shall apply.

2.6.5 Non-Standard Service Charges

- (a) The District shall charge private parties and public entities for services rendered by the District on behalf of such private parties or public entities.
- (b) For services not covered by standard fees or charges, the rate charged for services (the "service rate") rendered by District personnel shall be the hourly rate for the position, including benefits, plus overhead.
- (c) Equipment shall be billed at reasonable rates consistent with retail rental rates for like equipment in the greater Seattle-Tacoma-Everett area. Such rates will be established by the Assistant General Manager of Water Resources or his/her designee, on a case-by-case basis, by obtaining three or more estimates from private rental firms in the area.

2.6.6 Account Service Charge

- (a) An Account Service Charge (see Appendix B, Table B-10) is to be billed during processing of each service application, except for:
- Initial meter installation for service to a premise.
 - Services or meters added to existing premises or account by new service application.
 - Initial temporary meter and service for construction.
 - Name changes when no closing bill is requested or required.
 - Owner/agent agreement with owner/agent assumption of responsibility for service between tenants.
 - Disconnection of an account for nonpayment and reconnected subject to a reconnection fee.
 - Name changes between husband and wife.
 - Name changes between the deceased customer and estate.
- (b) A credit of the account service charge may be given in those cases where a customer has cut-in to an account in error.
- (c) The customer is to be advised of the account service charge at the time the application is taken.
- (d) The account service charge is to be billed within ten (10) days from the date the application was taken.
- (e) The following procedures shall be followed:
- Separate applications for service when billed on different account numbers at the same address -- one charge for each account, unless separate accounts are established for District convenience.
 - Electric and water service on one account -- one charge.
 - Multi-service account -- one charge for each additional meter reconnection after the initial application.
 - Multi-metered complex (e.g., apartment house) --
 - One charge per account for general use areas.
 - If no general use account, one charge per building to initiate service for one or more nonrented units.

2.6.7 Records Research Charge and Public Information Requests

The District will make information and records available to the public for inspection and copying in accordance with RCW Chapter 42.17, the Washington Public Records Disclosure Act, and District Policy.

Information and records concerning water service, including rates, charges, connections, disconnections, construction, installations, engineering, policies and procedures may be obtained from Water Resources, located in the District's Headquarters Building, 2320 California Street, Everett, Washington. Requests for public records will be handled in compliance with provisions of the District's policy on Access to Public Information and Records. No fee is charged for inspection of public records on the premises; however, the District imposes a charge for providing copies of public records. Such charges do not exceed the actual costs of copying.

2.6.8 Disconnection/Reconnection Charge

- (a) Whenever water service has been disconnected for noncompliance with the Policies and Procedures, for nonpayment, or for fraudulent use, the service will not be reconnected until the situation requiring such action has been corrected to the satisfaction of the District. A reconnection fee (see Appendix B, Table B-10) shall be charged for reconnection during regular business hours. A higher fee shall be charged for reconnection at all other times including weekends and holidays (see Appendix B, Table B-10). As appropriate, the customer will be preadvised of these fees.
- (b) When an account requires the physical reconnection of both electric and water, the total charge will include components for each type of service (see Appendix B, Table B-10).

2.6.9 Discounts

The District does not currently offer discounts for water service.

2.6.10 After Hours Connection Charge - New Customer or Vacant Account Reconnect

- (a) For connection requested to be completed during the hours of 5:30 p.m. to 8 a.m., or during weekends or holidays, customers will be advised at all times that there will be an after hours connection charge (See Appendix B, Table B-10) in addition to the Account Service Charge.

- (b) When an account requires the physical reconnection of both electric and water, an additional charge will be imposed for the electrical component of the work (See Appendix B, Table B-10).

2.6.11 After Hours Service Charge - Established Customers

Established customers will be advised at all times of a charge (See Appendix B, Table B-10), plus material cost and tax, if a water serviceperson is dispatched to the customer's premise, at the customer's request, during other than normal business hours (5:30 p.m. to 8:00 a.m. and weekends and holidays) and it is determined that the problem is caused by a failure of the customer's facilities.

2.6.12 Returned Check Charge

An accounting service charge (See Appendix B, Table B-10) may be made to each water service account for which payment has been received by any check or legal tender which is subsequently returned to the District by the bank for irregularities, lack of sufficient funds in the payer's checking account or the customer having closed the account.

2.6.13 Field Collection Call Charge

Whenever it becomes necessary for a District representative to make a collection call at the customer's premise(s) to enforce payment of a billing or security deposit, a field collection call charge (See Appendix B, Table B-10) will be made.

2.6.14 Security Deposits

- (a) Security deposit may be required of a customer at application or later for any of the following reasons:
- Incomplete or improper application.
 - Misrepresentation of identity.
 - Tampering with District equipment.
 - Bankruptcy petition.
 - No established credit.
 - Payment record.
- (b) A notice may be mailed to the customer when a security deposit is required, showing the amount and due date.
- (c) Payment or acceptable collateral is due as stated in notification unless other arrangements are made within that period.

- (d) Amount of deposit will not exceed the actual or estimated maximum billing for two consecutive months within a 12-month period.
- (e) Refund or application of deposit plus interest may be made, based on evaluation of customer credit history, after 12 months experience with residential customers and 24 months with nonresidential customers.
- (f) At termination of service, an existing deposit will be refunded, plus interest, less outstanding amounts due.
- (g) Transfers: When a customer relocates and reapplies for service, an existing deposit may be carried over to service at the new location and may be adjusted, depending on the circumstances.
- (h) Interest: Simple interest will be paid on all deposits, as set by the Commission.

2.6.15 Charge at Cost for Nonstandard Service

Customer shall pay the cost of any special installation necessary to meet the customer's particular requirements for service at other than standard pressures, or for closer pressure regulation than would normally be provided at the location involved.

2.6.16 Surcharges

By action of the Board of Commissioners, the District may impose surcharges on monthly or bimonthly customer rates, to fund capital improvements or operations and maintenance. Surcharges may be imposed on all District customers, or on customers in selected pressure zones, satellite systems, etc., according to the benefits derived from the capital improvements or the operations and maintenance activities funded.

2.7 Violations

2.7.1 Unauthorized Taking of Water, Tampering with Equipment, and Unauthorized Connection to the District's System

When appropriate, the District will seek prosecution for theft of water, destruction of District property and other violations of law affecting delivery of its services, and may pursue collection under RCW 80.28.240 for its losses, damages, and costs related to such actions to the full extent provided by law. In addition:

- (a) There may be levied an investigation or service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or

corporation who shall take water or knowingly received the benefit of water taken from any water line, reservoir, or fire hydrant, or any facility of the District without the District's consent and without first having obtained from the District a permit to take such water. Such sum shall be due and payable immediately upon the taking of such water.

- (b) There may be levied an investigation, service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall tamper with any water meter, fire line meter, service line, or any meter related appurtenances of the District. Such sum shall be payable at the time of discovery by the District of such tampering.
- (c) There may be levied an investigation, service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall take water from an angle stop, service lead, angle check valve, or related appurtenances intended for a future meter installation without consent from the District to take such water. A meter will not be installed to serve such property until such charge is paid together with the standard meter installation fees. If a meter application has been purchased from the District and, prior to installation of such meter, it is determined by the District that water has been taken in violation of this section then such meter will not be installed and the meter application will be held until the purchaser of such meter application pays the charge.
- (d) There may be levied an investigation, and service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall operate any valve in the District's system without the District's consent. Such sum shall be due and payable at the time of discovery by the District of such unauthorized operation.

2.8 Fire Protection

2.8.1 Commercial Fire Protection Service

- (a) Application for water service for the sole purpose of commercial fire protection must be made by completing and signing a standard application form.
- (b) The minimum charge shown on the District's rate schedule includes water for fire protection use only. The monthly rate of water used, except for fire protection, will be double the regular-metered service water rate applicable to that certain customer.
- (c) Service charge for new fire protection service connection.

- The customer must pay the cost, including installation costs, from the customer's premises to an existing main of the District.
- The customer must pay the cost of a detector check and meter, plus the cost of installation.
- Services to be used for fire protection exclusively may only be fitted with fixtures that will be used for fire protection and shall not be connected to any fixtures that will be used for other purposes. Customers having such services shall be charged not less than the minimum standby service charge as established from time to time by resolution of the Board of Commissioners. In no case shall any connection be made upon any service line, tank or other fixture installed exclusively for fire protection for any purpose except the fire service or through any pipes, tank or other fixtures reserved for fire protection be permitted for any purpose except the fighting of fires. To protect against water being drawn from a fire service for any purpose other than the fighting of fires, the District may install a detector meter on such service and charge all costs of such installation to the property and the customer.

2.8.2 Hydrant Installation

The District will install hydrants on existing District water mains, at the request of one or more customers if the mains are of sufficient capacity to provide adequate fire protection with costs borne by the customer(s). The type of hydrant and location shall be as specified by the District, which shall include the requirements established by appropriate jurisdictional agencies, regulations of Snohomish County, and the Snohomish County Coordinated Water System Plan, whichever is stricter.

Upon request, the District will prepare an estimate for the total cost of the installation of a hydrant. Upon payment of this estimated amount, the District will make the installation. On completion of the work, the customer will either be refunded or billed the difference between the estimated amount and the actual cost. At the District's option, this work can be done at a contract price to be paid in advance.

2.8.3 No Guarantee of Adequate Water for Fire Protection

Notwithstanding the provisions contained in these schedules for commercial fire protection service, or for other metered service, including water furnished to any fire hydrant or other equipment used, or which may be used for fire connection service, it is understood that the District cannot guarantee any minimum quantities of water or pressure of the water to be furnished to any

of such hydrants or outlets, 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 to such hydrant or outlet.

2.9 Special Arrangements for Short-Term Water Usage

2.9.1 Temporary Water Service

At the District's discretion, temporary water service may be provided to accommodate special needs for water at a fixed site on a short-term basis (e.g. on-site needs for construction activities). Temporary water service may be provided from a District main or from a fire hydrant specifically designated for this purpose by the District (see Section 2.9.2). Only District personnel are authorized to install a connection to a District main or fire hydrant for this purpose.

Temporary service may be authorized for a period not exceeding six months at a time. Upon expiration of the initial six-month period, a customer may request an extension of temporary service for one additional six-month period. No more than one extension will be granted, unless authorized by the AGM of Water Resources or his/her designee.

A customer obtaining temporary water service will not be required to pay a SCC, GFC, or DSC. However, a customer obtaining temporary water service will be required to pay a deposit for the estimated costs of installation and removal of the equipment required for temporary service, as well as a damage or security deposit. In addition, temporary service will be metered and the customer shall be required to pay both a meter-reading charge and a charge for water usage in accordance with the appropriate rate schedule (see Appendix B, Tables B-6 to B-8). Arrangements for metering and billing will be established on a case-by-case basis.

Upon termination of temporary service, the District will disconnect the temporary water service and take possession of the associated District equipment, or, if appropriate, convert the temporary service to permanent water service. Following disconnection or conversion, and payment of all outstanding charges for water usage, the District shall return any surplus of installation and removal charges that exceed the actual costs incurred by the District. In addition, the District shall refund any damage or security deposits, less the amount needed to replace or repair District equipment. However, in the event the customer fails to pay outstanding charges for water usage, the District may retain an amount equal to such outstanding charges.

2.9.2 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 2.7.1, any person violating this provision shall pay for the amount of water used, as estimated by the District and based on the applicable rate schedule.

At the District's discretion, authorization may be granted to take water from a fire hydrant connected to the District's water system. Procedures for authorizing use of fire hydrants shall be as follows:

- (a) When a customer desires to use a fire hydrant for Temporary Water Service (short-term water service at a fixed site) the procedures in Section 2.9.1 shall be followed. The customer shall utilize only the hydrant specifically designated by the District for this purpose, and will obtain water through a separate valve installed by the District on that hydrant.

2.9.3 Bulk Water Withdrawals

Customers may purchase bulk water from certain District-designated "Water Fill Stations" for short-duration purposes (1-3 days) or for intermittent use by a mobile water tank (e.g. tanks on hydroseeding or public works maintenance vehicles). Procedures for obtaining a Bulk Water Use Permit shall be as follows:

- To obtain a Bulk Water Use Permit, the customer shall complete a Bulk Water Use Application, pay a fee established by the District for the Permit (see Appendix B, Table B-10, and pay a refundable key deposit. A permit will be issued either for a daily (one to three days); monthly; or six-month period. At the District's discretion, the fee may be adjusted if the quantity of water deviates by more than 50 percent from the following:
 - Daily Permit Limited to 2,500 gallons; or 334 cubic feet
 - Monthly Permit Limited to 10,000 gallons; or 1,336 cubic feet
 - Six-Month Permit Limited to 60,000 gallons; or 8,021 cubic feet
- Unauthorized duplication of keys is prohibited. Keys may not be transferred to or used by unauthorized persons. Keys must be returned in order for the District to refund the key deposit.

- ❑ Customers taking water from District fill stations must record the START meter reading on the log sheets provided in the fill station boxes PRIOR to withdrawing water and at COMPLETION of withdrawing water. This must be done each time water is withdrawn because someone else may use the fill station in between visits.
- ❑ The customer shall utilize only those "Water Fill Stations" specifically designated by the Bulk Water Use Permit.
- ❑ Any damage to District facilities or equipment caused by the customer is the responsibility of the customer and will become due and payable to the District immediately and may be deducted from the original deposit. Violation of these regulations or Permit conditions may result in revocation of Permit.
- ❑ The customer shall obtain a placard from the District that indicates a Bulk Water Use Permit has been obtained. At any time a water fill station is being used, the customer shall display this placard in a prominent position clearly visible from the street. The customer shall not provide this placard to any other person.
- ❑ Return of the key and final meter readings, so the amount of water withdrawn can be totaled, are required in order to close-out bulk water permits. The water consumption record(s) and key should be returned to Water Resources at the District's Headquarters Building, 2320 California in Everett. Following key return and verification of water usage, the deposit will be refunded by mail unless other arrangements are made.

Section 3

Extension Policies

3.1 Introduction

3.1.1 General Provisions

The District will provide facilities for the distribution of water within its service areas in accordance with approved land use plans, policies or other regulatory requirements governing service provisions. Extension of a system to serve additional customers, properties, tracts, or subdivisions will normally be paid for by the individuals that are benefited.

An applicant (throughout this Policy the term “Applicant” shall be used to include an owner or developer) proposing an extension will normally be responsible for financing the entire cost of such extension. Costs include new facilities, replacement of existing system components when necessary for making the extension or improvement, and upgrades to meet requirements such as current construction standards or fire flow which are associated with the applicant's project. Over-sizing water system components as outlined below, however, will not in all cases be charged solely to the applicant. Reimbursement or credit against District charges is available in some circumstances.

All water facilities must be located on property owned by the District, public rights-of-way, or have dedicated easements. All water facilities must be transferred to the District's ownership for operation, maintenance, and service responsibilities and will be subject to maintenance bonding requirements.

3.1.2 Application of Policies and Procedures

In specific instances, the Assistant General Manager or his/her designee may, at his/her discretion, waive or modify the application of the policies and procedures described herein, including the application of standard fees and charges, provided that such waiver or modification allows for more effective or efficient achievement of District goals, objectives, and overall policies. Conditions for waiver or modification of the application of these policies and procedures are contained in Section 1.4 of this Manual.

3.1.3 Standards and Specifications

Water system extensions, improvements, or new facilities must be constructed in accordance with the District's Standards and Specifications for Design and Construction (Appendix A). Copies will be furnished by the District upon request. The Applicant must ensure that the latest version of the Standards and Specifications is followed.

The Standards and Specifications have been developed as professional, technical guidelines for regulating system design and installation. The Assistant General Manager may modify the Technical Standards and Specifications, from time to time to maintain consistency with changing technology and industry standards. In addition, the Assistant General Manager may waive strict application of the Standards and Specifications in certain instances, provided that the resulting design or construction is approved by the District, and remains consistent with the goals and objectives expressed in this Manual.

3.1.4 Notification

The Applicant's contractor shall schedule a pre-construction conference and notify the District at least five (5) working days prior to commencing work. All work shall be inspected by the District. The contractor shall contact the District water shop at (425) 783-8916 to schedule all tie-ins at least three (3) days in advance.

3.2 Administrative Procedures for System Extension

3.2.1 Plan Approval Required

All plans for extensions, improvements, or additions to water facilities must be approved by the District prior to construction.

3.2.2 Application

Requests for extension or improvement of a District water system to serve newly developed and/or existing properties shall be made by applicants or their authorized agents using the District's application format. Each application shall contain a legal description of the property to be served and be accompanied by two (2) copies of preliminary plans, showing the location of all water lines, hydrants, and valves needed to serve the area.

Applicants should schedule a meeting with District Engineering staff to discuss the proposed project, prior to completion of the application.

3.2.3 District Review

The District will review the application and associated plans. A Plan Review Fee, as described in Section 3.3 (see Appendix B, Table B-11), will be assessed to compensate for review services.

The District will notify the applicant of the feasibility of the service requested, conditions for construction, and any additional facilities (e.g. water source, storage, booster stations, water main upgrades, etc.) that may be required as a result of the proposed extension/development. The District may require additional special requirements such as cross connection control devices or backflow prevention assemblies. This process will enable an applicant to estimate more accurately the associated construction costs and District charges.

If fire flow is required, the plan must be approved by the appropriate Fire Marshal. District standards may be more stringent than standards required by local fire jurisdictions, and if there is any conflict between standards, the more stringent standard will apply.

In all cases where a road right-of-way will be used for mains or other improvements, the appropriate city or county governmental agency must also approve the plan.

At the District's option, engineering design services may be provided by District staff at the application stage. A fee will be charged for such services (see Section 3.3).

3.2.4 Extension Agreement

If a project is accepted, the applicant shall then execute with the District an Extension Agreement that which will specify the terms and conditions of the extension or system improvement in accordance with the District's standards. Extension agreements must be signed by the Assistant General Manager or his/her designee.

3.2.5 Submittal of Plans and Specifications

At the time the Extension Agreement is submitted, two (2) sets of detailed plans and specifications shall be submitted by the applicant to the District for review and approval. All drawings and specifications must be stamped by a registered Professional Engineer licensed in the State of Washington.

As the project progresses, any deviations from originally approved plans and specifications shall be approved in advance by the District in writing, and recorded. Updated plans must be provided to the District.

3.2.6 Permits, Easements, and Approvals

At the District's option, the applicant may be required to prepare all necessary documentation for permits, easements, and approvals. These may include, but are not limited to lane closure, building, grading, drainage, shorelines, conditional use, variance, Department of Health, Parks & Recreation trail crossing, and railroad agency permits. The District will ordinarily prepare documentation for Right of Way permits. The required documents shall be provided to the District, which will submit them to the appropriate agencies for processing. Any fees levied for permit processing shall be paid by the applicant.

The Applicant's contractor shall secure all permits and authorizations required from local and State agencies and disposal sites related to asbestos work, removal and disposal, including but not limited to submittal of a written "Individual Notice of Intent to Perform an Asbestos Project" to the Puget Sound Clean Air Agency, if required. An "Individual Notice of Intent to Perform an Asbestos Project" will generally be necessary for any project which requires the contractor to remove in excess of 10 linear feet of asbestos cement water main. No work on asbestos-cement main shall proceed without proper permits, certifications, worker protective clothing and breathing apparatus, and approved asbestos disposal bags. Prior to commencing work on asbestos-cement pipe, the contractor shall provide the District with a copy of any required "Individual Notice of Intent to Perform an Asbestos Project," and the contractor shall file the same with the Puget Sound Clean Air Agency. The cost of asbestos related permits shall be paid by the Applicant's contractor. A copy of any required permit(s) shall be available at the project site at all times.

The Applicant's contractor shall comply with all provisions of any applicable permits.

A copy of the appropriate plans, specifications, and all required permits shall be maintained on the project site at all times during construction.

All District facilities shall be installed within the city/county right-of-way or in a District approved easement. The Applicant, at the District's option, shall either supply the District with the legal description of the easement (as-built) and shall pay the costs incurred by the District to do all title work, to prepare any necessary easements, and to file and record the legal easements prior to District final acceptance, or prepare, obtain and convey all easements to the District at the Applicant's sole cost.

3.2.7 As-Built Drawings

Upon completion of the project, two (2) sets of revised as-built drawings and specifications, and an additional set in a digital format compatible with the District's CAD system (AutoCAD, Microstation, or DXF file), shall be provided to the District at the applicant's expense. As-built plans must show all new water facilities and related appurtenances which, at a minimum, shall include the locations of all mains, valves, hydrants, and fittings giving sizes and types of each. The drawings shall show the exact location of water mains including distances of mains from property lines.

A registered Professional Engineer licensed in the State of Washington must stamp all drawings and specifications, including as-builts.

3.2.8 Final Acceptance

Upon completion of construction, applicants or their contractors shall notify the District and request a final inspection for approval of the project. The District will issue a Letter of Final Acceptance of the main extension, improvement or water facility, provided that:

- (a) the water main has been installed according to the approved plans and specifications;
- (b) pressure and bacteriological tests have been passed;
- (c) all permit conditions have been satisfied;
- (d) all extension policy conditions have been fully satisfied;
- (e) all fees required by the District and other entities have been paid;
- (f) all easements are recorded at the county or shown on the face of the final plat map;
- (g) all necessary bonding is in place;
- (h) a new mylar drawing is provided which reflects as-built conditions;
- (i) a digital copy of as-built water plan is provided; and
- (j) a "Bill of Sale" is executed and accepted by the District.

The date of the final acceptance letter will begin the period of warranty. The final acceptance shall not constitute acceptance of any unpaid for, unauthorized, defective, omitted, or non-conforming work or materials. Final acceptance shall not prevent the District from requiring the applicant to pay

for, remove, replace, dispose, or add work or materials or prevent the District from recovering damages for any defective work or materials or for any breach of contract.

In the event that a letter of credit or similar financial instrument has been provided as a means of guaranteeing project completion, at the District's sole option a Conditional Letter of Final Acceptance may be issued prior to full applicant/contractor compliance with all of the requirements listed above. In order for this option to be exercised, the terms and conditions described in Section 3.2.9 must be met.

3.2.9 Letter of Credit

If requested by an Applicant for his/her convenience, the District may elect to accept a letter of credit, or equivalent financial instrument, as a guarantee of payment for various purposes. These purposes may include, but are not limited to, payment of GFCs or other fees, or completion of an extension project. However, nothing in this provision shall be interpreted as a requirement that the District accept a letter of credit, for any purpose. If a letter of credit is used to guarantee payment, the following conditions must be met:

- (a) Payment of a Letter of Credit Processing Fee to the District;
- (b) The Letter of Credit must be issued by a financial institution in a form acceptable to the District;
- (c) The Letter of Credit must name the District as sole beneficiary of the funds described therein;
- (d) Expiration of a Letter of Credit without a District draw upon the funds described therein shall not relieve the Applicant from any obligations to the District;
- (e) If the Letter of Credit is used to guarantee payment of fees, the District shall be authorized to redeem the full value of outstanding fees if all fees have not been paid within 90 days.

3.2.10 Maintenance Bond

Before the District will issue its letter of final acceptance, the Applicant shall provide an executed maintenance bond for 10 percent of the full value of the water facilities installed. Such value shall be determined by the District. The Applicant may post cash in lieu of bond, on the same terms and conditions as described herein. This bond shall:

- (a) Be on a District-furnished form.

- (b) Be signed by an approved surety (or sureties) that;
 - Is registered with the Washington State Insurance Commissioner, and
 - Appears on the current Authorized Insurance List in the State of Washington published by the Office of the Insurance Commissioner.
- (c) Be effective for two (2) years from the date of the District's Letter of Final Acceptance.

If at any time during the two-year period, the bond or cash in lieu of bond is used for payments, the Applicant shall, within five (5) business days of such payment, reinstate the value of the bond or cash in lieu of bond to an amount equal to 10 percent of the full value of the water facilities installed. If the value is not reinstated, the District may, at its option, redeem the bond.

The District may require sureties or surety companies on the bond to appear and qualify themselves. Whenever the District deems the surety or sureties to be inadequate, it may, upon written demand, require the Applicant to furnish additional surety to cover any remaining work.

3.2.11 Indemnify, Defend and Save Harmless

The Applicant's contractor who is constructing facilities to be transferred to the District shall agree to indemnify, defend and to hold the District harmless from any and all claims, losses or liability for damages arising from acts done or omissions made under the contract, to the fullest extent allowed by applicable law. Before commencing work such contractor shall furnish the District certificates of his comprehensive general and automobile liability and property damage insurance, in limits acceptable to the District, protecting against all claims for personal injury or property damage, including coverage for underground collapse and explosion damage, arising during the course of the performance of said contract.

3.2.12 Bill of Sale

The Applicant shall transfer ownership of all installed water mains and facilities to the District pursuant to a Bill of Sale utilizing a District-approved form. The Bill of Sale shall be signed by the Applicant or its authorized agent. The Bill of Sale shall describe lengths and sizes of water mains, and size and quantities of services and hydrants, and the location in general terms, including the name of the plat if applicable.

The applicant shall provide the District with all applicable invoices and other information necessary for preparation of the Bill of Sale.

3.3 Financing and Fees

3.3.1 Financing Methods

Line extensions can be paid for in three ways:

- (a) The Applicant may obtain his/her own contractor to install the main to meet District specifications, and pay the contractor directly. Upon completion of the work, and after approval by the District, the installation will be turned over to the District by means of a Bill of Sale.
- (b) For projects involving multiple property owners and developed properties, a Local Utility District (LUD) may be formed to finance the extension (see Section 3.3.2).
- (c) In limited cases, and at the District's option, the District may construct the facilities or may contract for construction. The District will make an estimate of the total costs of the project. On receipt of the payment of that estimated amount by the Applicant, the District or its authorized representative will proceed with construction. Upon completion of the project, the customer will be either refunded or billed for the difference between the estimated amount and the actual cost of the installation. On jobs where the estimated cost of materials exceeds \$50,000, the District must call for public bids, and award the contract to the lowest acceptable bidder.

3.3.2 Formation of a Local Utility District (LUD)

Property owners within a defined area may petition the District's Board of Commissioners for formation of an LUD to finance the extension of water mains to serve their properties. Assessments are levied upon properties benefited by the improvements. All costs and expenses included under RCW 35.44.020 including but not limited to engineering, construction, legal, survey, administrative, office, easements, and costs associated with the procurement of all necessary permits and conduct of environmental analysis are a part of the LUD costs.

The District will prepare a petition at the current cost established in Appendix B, Table B-11 for property owners desiring to initiate the formation of an LUD.

To the full extent required by and subject to the limitations imposed by applicable law (as amended from time to time), the Board of Commissioners

of the District shall determine whether or not to form an LUD on the basis of the facts and circumstances pertinent to each particular proposal.

LUD formation must follow procedures described in the District's LUD Process Manual and applicable statutes.

Costs for tapping onto a main constructed under an LUD will be defined in the provisions of the LUD involved.

Under applicable law, certain properties within the boundaries of a LUD may be exempt from assessment. In such cases, the District will grant an exemption, provided the property owner or his/her representative notifies the District in writing and provides evidence satisfactory to the District that the property qualifies for an exemption.

The LUD process may also be available for financing the costs of water system attachment for certain individual, pre-existing single-family residences not located within or contiguous to an LUD currently undergoing formation. Such process requires participation in a "non-contiguous Local Utility District" available only to owners of single-family residences taking permanent service from an existing District pipeline. In order to qualify for the non-contiguous LUD process, the dwelling to be served must be the residence of the Applicant or of the Applicant's tenant. The determination of whether or not a service can be considered permanent shall be at the District's sole discretion. Any funds payable by the District to a third-party applicant under an applicable latecomer policy or agreement as a consequence of an LUD customer attachment shall be paid only upon adoption by the Board of Commissioners of the final assessment roll relating to such LUD (see Sec.3.3.9).

3.3.3 LUD Assessments

For an LUD, each property included will pay an assessment established by the LUD process and designed to ensure that customers pay an equitable share of system costs for supply, transmission, treatment, and local distribution lines. Assessments shall include cost of system construction together with any applicable General Facilities Charge (GFC), Distribution System Charge (DSC) and, at the option of each assessed property owner, a Service Connection Charge (SCC). Assessments shall not be in lieu of any other applicable fees or charges payable as the result of customer service changes, water usage, or the formation of any future LUD.

Customers added after deadlines in the LUD process have passed (e.g. time expired, specified number of services added, etc.) will be assessed standard

District Charges and Fees in effect at the time of the request for service and applicable to the affected system.

Further information can be found in the District's LUD Procedure Manual.

3.3.4 Plan Review Fee

At the time an application is submitted for an extension or improvement, the applicant shall pay the District a Plan Review Fee (see Appendix B, Table B-11) to cover the cost for up to two District reviews. If more than two (2) reviews are required for the same project prior to execution of an Extension Agreement, or if the scope or complexity of design requires unusually extensive review, an additional fee for non-standard engineering services may be charged.

If the District undertakes to provide engineering design services at the application stage, a fee may be charged for non-standard engineering services.

3.3.5 Extension Agreement Fee

At the time an Extension Agreement is submitted for execution by the District, the applicant shall pay the District an Extension Agreement Fee to compensate the District for resources needed to participate in the project (Appendix B, Table B-11).

3.3.6 Summary of Extension Fees

In addition to fees charged for processing applications, Extension Agreements, and other District services, the Applicant will be charged the following Extension Fees, where applicable:

- (a) General Facilities Charge
- (b) Distribution System Charge
- (c) Service Connection Charge

However, fees for properties located within LUDs are handled through the assessment process discussed above.

3.3.7 General Facilities Charge (GFC)

A General Facilities Charge (GFC) is applied on new service connections to compensate for costs the District incurs in construction or acquisition of water system general facilities (i.e., source, storage, treatment and

transmission facilities) required to support the addition of the new customers. The GFC amount is based on the demand a new water service connection is expected to place on the water system (see Appendix B, Tables B-2 and B-3). Equivalent Residential Units (ERU) will be used to represent the demand a given service will place on the District's water system and consequently that service's respective share of the costs of the District's water system general facilities. The following procedures apply to payment of the GFC:

- (a) All New Customers connecting to a District water main or expanding their service connection shall pay a GFC, except as follows:
 - (1) The GFC shall not apply to extensions, new developments, or subdivisions where all applicable water system source, storage, treatment, and transmission facilities are financed wholly by the benefited properties under the LUD process (see Section 3.3.2) or through the applicant extension process.
 - (2) If a New Customer provides documentation, acceptable to the District, that the applicable GFC for such customer's requested connection has already been paid through past payment by an Applicant, or other means, the GFC shall not be applied.
- (b) Where construction of a development or subdivision requires connection of a new Applicant-installed main extension to the District's water system, the Applicant has the option of paying the total applicable GFC for all lots at the time of conveyance of the main extension to the District, or deferring payment of the GFC applicable to any individual lot until a service connection is requested for such lot (see Appendix B, Table B-2).
- (c) Where a development or subdivision is constructed within the boundaries of the District's integrated water system, but connection with the District's integrated water system is deemed by the District in its sole judgment to be impracticable at the time of construction, such development or subdivision may construct and utilize a separate, temporary water supply, storage and distribution system, to be owned and operated by the District. Such system shall be attached to the District's integrated water system at District cost at such time that the District deems attachment practicable and appropriate. The Applicant of the development or subdivision has the option of paying the GFC at the time of conveyance of the new distribution system to the District, or deferring payment of the GFC applicable to any individual lot until a service connection is requested for such lot (see Appendix B, Table B-2).

- (d) When the Applicant chooses to defer the payment of the GFC, an adjusted GFC amount shall be applicable in order to permit the District to recover administrative costs and interest costs associated with delayed payment (see Appendix B, Table B-2).
- (e) When the Applicant chooses to defer the payment of the GFC with regard to any specific parcel of property to be connected to the District's water system (including, in the case of a condominium, any unit or common area) the Applicant shall be obligated to disclose to the initial purchaser of such parcel of property that a GFC is due and must be paid to the District prior to installation of a meter and connection of such parcel to the District's water system. Installation of a meter and connection of a parcel of property, including a condominium unit or any parcel held in common for the development, to the District's water system shall not occur until all applicable fees have been paid to the District including but not limited to the required GFC.

An Applicant who fails to provide the disclosure required in this subsection shall defend, indemnify and hold the District harmless from and against any and all claims, demands, losses, costs and damages of whatsoever nature, including attorney fees and costs, incurred by the District as a result of such failure.

- (f) The District shall determine the appropriate number of ERUs to be assigned to any and all New Customer connections. The General Facilities Charge for a subdivision constructed under the circumstances described in subsections (b) and (c) above, where the Applicant has chosen to pay the GFC at the time of conveyance to the District of the Applicant-installed main extension or water distribution system, shall be based upon the estimated total number of ERUs as determined by the District to be necessary to provide service for all of the parcels of property within the development or subdivision to be served by the District. If the use classification or the number of dwelling units for any parcel changes between the date of the estimate and the date of application for service to such parcels, causing a change in the estimated ERUs applicable, the General Facilities Charge shall be recalculated accordingly. The recalculation shall be based upon the new number of ERUs. If the recalculated General Facilities Charge is greater than the original payment, the applicants for service to parcels which have a different use classification or a different number of dwelling units shall pay the difference between the recalculated General Facilities Charge and the estimated General Facilities Charge. No refunds will be made by the District where the recalculated charges are less than the original payment.

In recalculating the General Facilities Charge, the rates in effect at the time of the recalculation shall be used; and for purposes of calculating the difference that the applicant shall pay, the estimated General Facilities Charge shall be recomputed based upon the rates then in effect.

- (g) The General Facilities Charge shall also apply to an LUD or to the identified and assessed individual properties contained therein at the time of formation. Properties within an LUD are subject to the applicable LUD GFC. However, once an LUD has been established and the final assessment roll confirmed, any additional individual water service customers within such established LUD requesting a new water service connection or adding to the number of ERUs to be served by that customer's existing water service connection shall be deemed a "New Customer," and be subject to the applicable General Facilities Charge imposed at the time of connection (see Section (h) below).
- (h) In all cases, the GFC paid shall be based upon the GFC in effect on the date of payment.

3.3.8 Distribution System Charge (DSC)

The Distribution System Charge (DSC) is assessed to compensate for costs the District and its existing customers have paid to install the system's existing local distribution network, or for the costs of installing new distribution lines required to support the addition of the new customers.

The DSC applies to each New Customer connecting to a District-owned water main when such New Customer has not contributed to the cost of the water main either through an LUD assessment, other charge imposed by District policy, or through purchase of an individual parcel specifically for which the water main extension was originally installed. The DSC also applies to each New Customer within satellite systems in cases where the District has established a DSC for those systems.

Depending on the type of development, the DSC is calculated as either a standard charge per connection, or as a charge based on front footage. The DSC for various types of service is shown in Appendix B, Tables B-4 and B-5.

Payment of the DSC is required with regard to each of the following situations:

- (a) Whenever a new development or subdivision is to be connected to the District's water system and extension by the Applicant of a new or

replacement main across the entire frontage from which public access and utility service are taken is not required; or

- (b) Whenever a lot for which a DSC has been paid is subdivided, and additional water connections are made to serve the new lots created by subdivision. In such event, an additional DSC shall be collected from the Applicant for each New Customer connecting to the District's water system; or
- (c) Whenever a New Customer connects to a District main under an Interim Connection Agreement (ICA).

Where applicable, a DSC collected from a New Customer shall be paid as reimbursement to the third party who installed and paid for water main, in accordance with Section 3.3.9.

In the case of a New Customer connection to a water main installed through the LUD process, the DSC collected shall be paid as reimbursement to the District; the DSC shall be equal to the apportioned distribution system cost assessed to each participating LUD property, or the current DSC amount, whichever is greater.

3.3.9 Reimbursement Using the DSC

When a New Customer attachment is made to a water distribution main extension or replacement installed and paid for by a third-party, the DSC collected by the District from the New Customer, less five percent (5%) retained by the District for Administrative costs, may be paid over to such third-party as a partial reimbursement for costs of that main distribution extension or replacement installation. However, the following provisions shall apply:

- (a) DSCs collected by the District shall be paid by the District to the third-party installer for a period of ten (10) years from the date of acceptance of the subject water main extension or replacement, or until such time as the third-party installer is fully reimbursed for its actual cost of that portion of the water main extension to which the DSC applies, whichever period is shorter. DSCs from New Customers attaching after such period shall be retained by the District.
- (b) Third-party reimbursements shall apply only with regard to water main extensions constructed by such third-party outside the established boundaries of any subdivision or property development for

which the main extension was installed. The cost of a water main extension subject to reimbursement under this section shall include all appurtenances required and installed as a part of the water main extension.

- (c) Third-party reimbursements shall be made only for DSCs collected from New Customers whose connection is considered to be permanent by the District. DSCs collected from New Customers whose connection is considered Interim by the District, shall be retained by the District and applied to a future, permanent solution. Refer to section 3.6 for more information on Interim Connections.
- (d) Reimbursement shall be available only to third parties who have entered into an "Application/Agreement for Private Applicant Water System Extension" or a "Distribution System Charge Reimbursement Agreement" with the District, and shall be subject to all applicable policies of the District, including established DSCs.
- (e) Reimbursement shall be required only in situations where the District is reasonably able to locate the third party who installed the new or replacement water main. It is that person's responsibility to provide the District with updated contact information for the Reimbursement Agreement. If with reasonable diligence the District is unable to locate the third party who is entitled to the DSC payment within the ten-year reimbursement period, using information supplied by such person, the District shall retain the DSC, and any claim that person may have for reimbursement shall be extinguished.

3.3.10 Non-standard Engineering Fees

Engineering fees for non-standard engineering services shall be established in the manner described in Section 2.6.5 of this Policies and Procedures Manual for Non-standard Services.

3.3.11 Over-Sizing and Replacement

- (a) The District may require over-sizing or replacement of existing facilities in conjunction with construction of an extension or improvement by an applicant. Such requirements may apply on, or adjacent to, a development or subdivision, or to facilities that are associated with the development, but "off-site." The sizing required for applicant-project needs alone will be based upon the District's Standards and Specifications (Appendix A), or upon hydraulic analysis acceptable to the District that has been conducted specifically for a proposed project.

(b) When a new development or subdivision has frontage on or abuts an existing District main or associated appurtenances (hydrants, pressure reducing valves, blow-off assemblies, air/vacuum relief valves, and water meters) and the District has determined in its sole discretion that any portion or all of such facilities are in need of replacement due to age, condition, substandard size or materials, or due to the likelihood of damage caused by construction of the development or sub-division improvements, the applicant shall replace such facilities without contribution from the District. If the District has determined in its sole discretion that the development will not impact or cause damage to other existing facilities on frontages from which the development is not taking direct service and the development is not required to make improvements along such frontages by the governmental agency with jurisdiction over the work, the applicant shall only be required to replace those facilities within the frontage from which it takes service. The applicant may be entitled to reimbursement for additional customers connecting to the replacement facilities in accordance with Section 3.3.9.

(c) Any new water system improvements installed for a development and located adjacent to or requiring extensions from an unfunded future proposed District project shown in the District's Comprehensive Water System Plan, and not included in the District's current Capital Improvement Program, shall be installed by the applicant to sizes shown in the Comprehensive Water System Plan with no over-sizing contribution from the District. The applicant may be entitled to reimbursement for additional customers connecting to the subject extension per Section 3.3.9.

(d) In cases where fire flows required by applicable land use plans have changed since the construction of the existing main, the applicant will be responsible for the cost of upgrading the existing main to meet required flows established in the District's Standards and Specifications for Design and Construction or the current flow required by the local fire prevention authority, whichever is greater.

(e) Notwithstanding anything else in this Section, in the event that application of this policy would require the applicant to install a replacement main that in the determination of the District in its sole discretion should be installed at a later date or in conjunction with a different project, the applicant shall pay to the District in lieu of installation of such replacement main a Distribution System Charge in an amount as determined in Appendix B. Such sum shall be held by the District for partial reimbursement to a third party of its costs of later installation of any replacement main that would otherwise have been required under this Section. The DSC shall be utilized by the District as provided in Section 3.3.9; however, should the

District later install the replacement main at its cost, then the District shall apply the DSC against its replacement main installation cost.

(f) If:

1) the District requires a) over-sizing of a main fronting the development or adjacent thereto (i.e., "off-site"); or b) replacement of a main which is "off-site" but is adjacent to the development; and

2) in the District's sole opinion such improvement can be conveniently completed in conjunction with other system improvements required of the applicant under these policies to accommodate District needs associated with but not directly resulting from the development,

Then in such event the District may, at its option, participate in the associated construction costs. The following guidelines will apply when the District requests such improvements and agrees to participate in payment of costs of over-sizing or replacement of facilities:

- (i) Upon receiving an application for an extension or an improvement, the District will determine if over-sizing or replacement of District facilities is best accomplished in conjunction with construction of the proposed development. The District's Water System Plan, the applicable land use plan, and existing system deficiencies will be the primary factors in making this determination.
- (ii) If over-sizing or replacement of such facilities is required, a pre-established reimbursement amount and time for reimbursement shall be negotiated between the District and the applicant and included in the Extension Agreement.
- (iii) The amount of reimbursement for over-sizing will be based generally on the following:
 - (1) Mains:
 - A. For pipes up to 4 inches larger in diameter than the District's design standard for the development/lot - reimbursable costs will consist of material cost differences for pipe, valves, and fittings.
 - B. For pipes greater than 4 inches larger in diameter than the District's design standard required to serve the development/lot - reimbursable costs will include increased material and construction costs (e.g. cost differentials for larger components, increased excavation, special bedding, testing, cleaning, etc.)

- (2) Other Facilities: Contributions for providing larger or replacement facilities will be conducted on a case by case basis and are subject to negotiations between the District and the applicant.
- (iv) The methodology of reimbursement will be selected by the District at its sole discretion, and will be included in the Extension Agreement. Reimbursement methodology will normally be chosen from one of the following options:
 - (1) Payment to the applicant upon acceptance of the extension or improvement.
 - (2) Credit against funds otherwise owed by the applicant to the District.
 - (3) Deferred to the future for reimbursement in lump sum or by installment.
 - (4) A combination of the above.
- (v) Material invoices must be submitted to the District prior to acceptance of the project.

3.4 Design

3.4.1 Standards and Specifications

All water line extensions shall be designed and installed in accordance with the District's Standards and Specifications (Appendix A). However, strict application of the Standards and Specifications may be waived by the District in certain instances, in accordance with Section 1.4 of this Manual.

3.4.2 Extension of Mains along Property Frontages

In order to provide for continued extension of the District's system beyond properties currently developed or under development, Applicants will be required to extend water mains along frontages associated with parcels, subdivisions, or developments. At the District's discretion, an applicant may also be required to extend a main across the property being developed to facilitate looping of the system (per Section 3.4.3), in addition to extension along one or more frontages. In individual cases, the requirements for length and location of mains along such frontages shall be guided by the District's Comprehensive Water Plan. Depending on the circumstances, reimbursement may be available following main installation, under the District's policies for the Distribution System Charge (see Section 3.3.9).

Applicants will normally be required to install a main along the entire length of any and all general use (open generally to the development residents and their guests and invitees, whether or not deemed “private”) roads or developed public rights-of-way abutting the property being developed and from which the development takes water service. If the District has determined in its sole discretion that the development will not impact or cause damage to other existing District facilities on frontages from which the development is not taking direct service and the development is not required to make improvements along such frontages by the governmental agency with jurisdiction over the work, the applicant shall only be required to replace facilities within the frontage from which it takes service.

In cases where the development’s permanent access and permanent water utility distribution service line are not taken from the same general use road or public right of way, the location of the permanent distribution service connection, as determined at the sole discretion of the District, shall be the frontage along which the District main will be extended.

At the District’s option, the requirement for extension along a frontage may be modified or waived, provided that achievement of general policy goals and objectives of the District are not thereby impaired.

The District normally installs water mains on the north and east sides of a road or street. In some circumstances, therefore, the applicant will be required to install a water main across the street or road from the applicant’s property.

3.4.3 Looping

Looping of water mains, at applicant cost, may be required in order to satisfy pressure, fire flow, and system hydraulic requirements. In addition, looping may be desirable to promote system reliability and water quality. The determination of looping requirements shall be at the sole discretion of the District and will not exceed 200 feet of main per looping situation. In determining whether looping is required, the following factors shall be considered:

- The length of main that will be needed solely for looping purposes;
- Topographical constraints;
- Effects of looping on system hydraulics;
- The need for easements solely to support looping;
- Expected future development in the area, based on the applicable land use plan, as updated from time to time, municipal comprehensive plans if

applicable, the District's Comprehensive Water Plan, and other available information.

If a looping requirement is imposed solely to benefit other properties or the District's system generally, then the District will reimburse the Applicant for any required looping over 200 feet per looping situation. However, if the looping requirement also provides a direct benefit to the property in question (e.g. to meet required fire flows), then this limitation will not apply, and the Applicant's responsibility will be determined by the District on a case-by-case basis.

3.4.4 Water System Fire Flow Requirements

Water system lines and extensions installed pursuant to other sections of this Policy to serve a new development shall be sized in accordance with the District's Standards and Specifications for Design and Construction. Such standards are based upon sound engineering and operational practices and shall provide to all new development lots not less than the following fire flows, or shall be at the level required by the local fire prevention authority, whichever is greater:

| <u>Lot Size</u> | <u>Fire Flow Requirements</u> |
|---------------------------------------|-------------------------------|
| a) Less than 1 acre | 1,000 gpm |
| b) Multi-family/commercial/industrial | 1,500 gpm |

For purpose of evaluating the sufficiency of fire flows, a "cluster development" shall be evaluated according to the effective size of the building lots, based upon the relative distances between residential construction.

3.4.5 Water System Flow Standards Not Altered by Sprinkler Systems

The District supports the local fire jurisdictions requirements for residential fire protection sprinkling systems. However, such systems will not provide a basis for altering the District's design standards.

3.5 General Construction Procedures

3.5.1 Technical Standards and Specifications

Construction practices shall be in accordance with the District's latest Technical Standards and Specifications (Appendix A). However, strict application of the Standards and Specifications may be waived in certain instances, in accordance with Section 3.1.2.

3.5.2 Approved Contractor

All line extensions and taps to the District's water system shall be installed only by a licensed contractor approved in advance by the District.

"Approval" of a contractor by the District means that the contractor has met certain minimum criteria relating to past performance, experience, or apparent ability to successfully perform the work required; it shall not be deemed to create or impose any warranty or guarantee by the District as to the said contractor or its workmanship, nor shall such approval relieve the customer or the contractor of their individual responsibility to comply in all respects with District policies and specifications.

3.5.3 Pre-Construction Conference

The Applicant shall schedule a pre-construction conference with the District and contractor after the Extension Agreement has been executed. The Contractor shall submit a materials list and a safety and traffic control plan, if needed, for District approval before or during this meeting.

3.5.4 Deviations

The approved Extension Agreement construction plans shall be followed. No deviations will be allowed without request for change and approval in writing by the Water Resources Assistant General Manager or his/her designee. The District reserves the right to order changes. The applicant shall be notified in writing of any changes.

3.5.5 Taps to Existing Main

All taps of a line to the existing main must be made by District crews or under direct supervision of the District personnel, with material supplied by the owner, contractor or the District. Payment must be made in advance for this work, and for any material required, if done by the District. Tapping an existing main without adhering to District requirements for advance notification shall result in a penalty being assessed against the applicant (see Appendix B, Table B-12).

3.5.6 Service Equipment

If the owner is also constructing houses and will construct and complete houses at a rapid rate, the District, at its option, may require the owner to install the meters and service equipment coincidental with the installation of the main, or install the service with a meter yoke for later installation of the meter by the District. The service connection charge will be adjusted accordingly.

3.5.7 District Access

During the period of construction, applicants and their contractors will provide access to District personnel (including personnel on contract to the District) as necessary, to ensure compliance with District requirements.

3.6 Interim Connections

3.6.1 Introduction

In general, interim connections to the District's system shall be avoided. However, under certain circumstances overall District goals and objectives may be advanced by permitting connection to a District main or a non-District water system on an interim basis. Such an arrangement shall be permitted only when the District determines that the property in question will be served in the future by a District main abutting the property. The Assistant General Manager or his/her designee shall have the authority to allow an interim connection and administer an Interim Connection Agreement. The customer shall pay all of the costs and expenses associated with obtaining interim water service.

3.6.2 Interim Connection Agreement

Any interim connection will require an Interim Connection Agreement (ICA), to be executed between the customer and the District. The ICA will specify the terms and conditions for the interim connection. These may include, but are not limited to, provisions designed to facilitate financing and connection to a main, at the time a main abutting the property is subsequently installed.

3.6.3 Fees and Charges

Prior to execution of the ICA, the customer shall pay an ICA Processing Fee including the cost of relocating the temporary meter connection to the permanent location (see Appendix B).

The applicant shall pay all other applicable fees to the District prior to execution of the Interim Connection Agreement by the District. These fees include, but are not limited to, the GFC, DSC and SCC.

3.6.4 Easements, Property Rights and Permits

The customer shall obtain and maintain all easements, property rights and/or permits which are necessary or appropriate for interim water service. The customer must provide documentation of same as part of the ICA.

3.6.5 Termination of Interim Service

Interim service shall be terminated whenever the public water system has been extended so that permanent public service is available to the property.

Whenever a property temporarily served pursuant to an ICA can receive permanent service by connection to the District's system abutting the property constructed by a capital construction project, without extending the District's system, then the ICA will be terminated. The customer shall pay the cost of disconnecting the interim connection and reconnecting to the main, plus any other applicable charges.

Table B-10
Miscellaneous Fees

| | | |
|----|--|---------------|
| 1 | Account Service Charge, <u>Includes Standard Turn-on for Snowbirds</u> | \$10 |
| 2 | Same Day Turn-off/Turn-on During Business Hours* (due to nonpayment) (Only one \$35 charge) | \$35 |
| 3 | Same Day Reconnect Due to New Occupant or Credit Reconnect (Plus \$10 Account Service Charge) | \$80 |
| 4 | Next Day Credit Reconnection (Plus \$10 Account Service Charge for New Party) | \$40 |
| 5 | Key Box Installation | \$150 |
| 6 | Returned Check Charge | \$20 |
| 7 | Damage and Security Deposit (temporary water service) | \$500 |
| 8 | Damage and Security Deposit Interest | Current Rate |
| 9 | Water Meter Test | Actual Cost |
| 10 | Records Research Charge | Actual Cost |
| 11 | Delivery Point Relocation (Customer Request) | Actual Cost |
| 12 | Crew/Serviceman Standby (Customer Request) | Actual Cost |
| 13 | Damage from Addition of New Equipment | Actual Cost |
| 14 | Damage to District Property | Actual Cost |
| 15 | Disconnection, Non-routine | Actual Cost |
| 16 | Recording Fees | Actual Cost |
| 17 | Letter of Credit Processing Fee (for developer extensions) | \$200 |
| 18 | Bulk Water Use Deposit (Key) | \$275 |
| 19 | Bulk Water Use Fee | |
| | Daily Permit | \$35 |
| | Monthly Permit | \$75 |
| | Six-Month Permit | \$300 |
| 20 | After-Business Hours* Service Call | Actual Cost |
| | Customer Equipment Failure, Customer Request to Repair | Minimum \$150 |
| 21 | After-Business Hours* Connection for New Customer | \$150 |
| | (plus Account Service Charge) | \$10 |
| 22 | After-Business Hours* Reconnection | \$150 |

* Regular Business Hours: 8:00 am to 5:30 pm, Monday through Friday, excluding weekends and holidays.

RESOLUTION NO. 5403

A RESOLUTION Revising the District's Rates for Water Utility Service

WHEREAS, on September 20, 2005, the Board of Commissioners of Public Utility District No. 1 of Snohomish County adopted changes to certain Water Utility rates, and the Commission now finds that such rates are in need of further revision; and

WHEREAS, the District has full and exclusive authority under RCW 54.16.030 to regulate and control the use, distribution, and price of its Water Utility services, and has the power and obligation under RCW 54.24.080 to establish, maintain, and collect rates or charges for water and other services supplied by the District which shall be fair, nondiscriminatory, and adequate to provide revenues sufficient for payment of its lawful obligations, to fund its planned improvements, and to provide quality water service to its existing and new water service customers; and

WHEREAS, by Resolution No. 5395 adopted on November 4, 2008, the Commission directed that an evening public hearing be held on November 18, 2008, to review the Water Utility's projected plans and revenue needs and the proposed Water Utility rates, and to provide District water service customers the opportunity to comment thereon, and the Commission has considered the information and comments provided at such meeting; and

WHEREAS, Resolution No. 4848-J delegated to the District's General Manager broad authority to establish the general terms, conditions, and policies for water service provided by the District as set forth in Section 2; and the rates charges, and fees set forth in Appendix B of the District's Policies and Procedures Manual for Administration of Water Services, as it may be amended from time to time; and

WHEREAS, rates charged by the City of Everett for water purchased by the District have increased since 2005, have been set for future years through 2012, and the total of the increases from 2009 through 2012 average eight percent (8%); and

WHEREAS, the Commission finds that the proposed revision of the District's Water Utility rates is reasonable and proper and in the best interests of the District and its customers.


NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, as follows:

Section 1. The District's rates for Water Utility service shall be revised as described in Exhibit "A," which Exhibit is attached hereto and incorporated herein by this reference.


Section 2. The rate revision hereby imposed shall become effective for the service described in such schedules, beginning on January 1, 2009, and shall include each of the respective annual adjustments as provided in the attached Exhibit, and shall be and remain in effect for the entire period beginning January 1, 2009, and thereafter until further revised. All water consumption prior to January 1, 2009, shall be billed at the rates in effect prior to such date. In preparing customers bills to implement this resolution on January 1, 2009, the District shall prorate such bills as if water consumption occurred at a constant rate during the billing period.

Section 3. Except as provided here, Resolution Nos. 4848-J and 4860 shall remain in full force and effect.

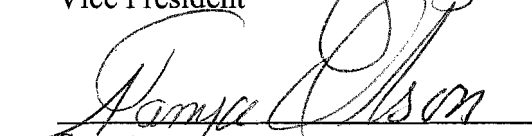
PASSED AND APPROVED this 2nd day of December, 2008.



President



Vice President



Secretary

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
(Effective January 1, 2009 - December 31, 2012)

EXHIBIT A

| | Current Rates | 2009 | 2010 | 2011 | 2012 |
|---|---------------|----------|----------|----------|----------|
| SCHEDULE 11 - General Single-Family Residential | | | | | |
| Monthly Min. Charge | \$ 11.70 | \$ 13.22 | \$ 14.94 | \$ 16.88 | \$ 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 12 - General Multi-Family Residential | | | | | |
| Monthly Min. Charge | 11.50 | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.66 | 1.88 | 2.12 | 2.40 | 2.71 |
| SCHEDULE 13 - General Commercial / Industrial | | | | | |
| Monthly Min. Charge | 25.00 | 28.25 | 31.92 | 36.07 | 40.76 |
| Commodity Rate (per 100 cu ft) | 1.62 | 1.83 | 2.07 | 2.34 | 2.64 |
| SCHEDULE 14 - Lake Connor Park | | | | | |
| Monthly Min. Charge | 47.00 | 53.11 | 60.00 | 67.81 | 76.63 |
| Commodity Rate (per 100 cu ft) | 1.90 | 2.15 | 2.43 | 2.74 | 3.10 |
| SCHEDULE 15 - May Creek Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 | \$ 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 16 - Lake Roesiger Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 | \$ 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Septic Tank Pumping (per 100 cu ft) | 0.84 | 0.84 | 0.84 | 0.84 | 0.84 |
| SCHEDULE 17 - Lake Roesiger Multi-Family Residential | | | | | |
| Monthly Min. Charge | 11.50 | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.66 | 1.88 | 2.12 | 2.40 | 2.71 |
| Septic Tank Pumping (per 100 cu ft) | 0.84 | 0.84 | 0.84 | 0.84 | 0.84 |
| SCHEDULE 18 - Lake Roesiger Commercial / Industrial | | | | | |
| Monthly Min. Charge | 25.00 | 28.25 | 31.92 | 36.07 | 40.76 |
| Commodity Rate (per 100 cu ft) | 1.62 | 1.83 | 2.07 | 2.34 | 2.64 |
| Septic Tank Pumping (per 100 cu ft) | 0.84 | 0.84 | 0.84 | 0.84 | 0.84 |
| SCHEDULE 19 - Skylite Tracts Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 | \$ 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
 (Effective January 1, 2009 - December 31, 2012)

EXHIBIT A

| | Current Rates | 2009 | 2010 | 2011 | 2012 |
|--|------------------|-------|-------|-------|-------|
| SCHEDULE 40 - Dutch Hill Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 41 - Dutch Hill Commercial / Industrial | | | | | |
| Monthly Min. Charge | 25.00 | 28.25 | 31.92 | 36.07 | 40.76 |
| Commodity Rate (per 100 cu ft) | 1.62 | 1.83 | 2.07 | 2.34 | 2.64 |
| SCHEDULE 42 - Pilchuck 10 Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 43 - Sunday Lake Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 44 - Blue Spruce Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 45 - Cedar Lane Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 47 - Dubuque Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 48 - Booster Facility | | | | | |
| Monthly Min. Charge | 12.70 | 14.22 | 15.94 | 17.88 | 20.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 49 - Kla-ha-ya Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 |

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
(Effective January 1, 2009 - December 31, 2012)

EXHIBIT A

| | Current Rates | 2009 | 2010 | 2011 | 2012 |
|---|------------------|-------|-------|-------|-------|
| SCHEDULE 51 - Storm Lake Ridge Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 52 - May Creek Multi-Family Residential | | | | | |
| Monthly Min. Charge | 11.50 | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.66 | 1.88 | 2.12 | 2.40 | 2.71 |
| SCHEDULE 53 - May Creek Commercial / Industrial | | | | | |
| Monthly Min. Charge | 25.00 | 28.25 | 31.92 | 36.07 | 40.76 |
| Commodity Rate (per 100 cu ft) | 1.62 | 1.83 | 2.07 | 2.34 | 2.64 |
| SCHEDULE 54 - Two Twelve Market Commercial / Industrial | | | | | |
| Monthly Min. Charge | 25.00 | 28.25 | 31.92 | 36.07 | 40.76 |
| Commodity Rate (per 100 cu ft) | 1.62 | 1.83 | 2.07 | 2.34 | 2.64 |
| SCHEDULE 55 - Butterfield Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 56 - Dubuque Multi-Family Residential | | | | | |
| Monthly Min. Charge | 11.50 | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.66 | 1.88 | 2.12 | 2.40 | 2.71 |
| Surcharge | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| SCHEDULE 57 - Machias Ridge East Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Surcharge | 31.19 | 31.19 | 31.19 | 31.19 | 31.19 |
| SCHEDULE 58 - Otis System Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| SCHEDULE 59 - Dutch Hill Multi-Family Residential | | | | | |
| Monthly Min. Charge | 11.50 | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.66 | 1.88 | 2.12 | 2.40 | 2.71 |

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
 (Effective January 1, 2009 - December 31, 2012)

EXHIBIT A

| | Current Rates | 2009 | 2010 | 2011 | 2012 |
|---|------------------|-------|-------|-------|-------|
| SCHEDULE 65 - West Machias Commercial / Industrial | | | | | |
| Monthly Min. Charge | 25.00 | 28.25 | 31.92 | 36.07 | 40.76 |
| Commodity Rate (per 100 cu ft) | 1.62 | 1.83 | 2.07 | 2.34 | 2.64 |
| Surcharge | 30.00 | 30.00 | 30.00 | 31.19 | 31.19 |
| SCHEDULE 66 - W Machias/T Marks/Joywood Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 |
| SCHEDULE 67 - West Machias Multi-Family Residential | | | | | |
| Monthly Min. Charge | 11.50 | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.66 | 1.88 | 2.12 | 2.40 | 2.71 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 |
| SCHEDULE 68 - Kla-ha-ya Multi-Family Residential | | | | | |
| Monthly Min. Charge | 11.50 | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.66 | 1.88 | 2.12 | 2.40 | 2.71 |
| Surcharge | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 |
| SCHEDULE 69 - Lake Stevens Integrated System Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 |
| SCHEDULE 83 - Lake Stevens Integrated System Commercial / Industrial | | | | | |
| Monthly Min. Charge | 25.00 | 28.25 | 31.92 | 36.07 | 40.76 |
| Commodity Rate (per 100 cu ft) | 1.62 | 1.83 | 2.07 | 2.34 | 2.64 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 |
| SCHEDULE 84 - Lake Stevens Integrated System Multi-Family Residential | | | | | |
| Monthly Min. Charge | 11.50 | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.66 | 1.88 | 2.12 | 2.40 | 2.71 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 |
| SCHEDULE 85 - Kayak Water System Single-Family Residential | | | | | |
| Monthly Min. Charge | 11.70 \$ | 13.22 | 14.94 | 16.88 | 19.07 |
| Commodity Rate (per 100 cu ft) | 1.79 | 2.02 | 2.28 | 2.58 | 2.92 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 |

PROPOSED CHANGES TO THE DISTRICT'S WATER UTILITY RATES
 (Effective January 1, 2009 - December 31, 2012)

EXHIBIT A

| Current Rates | 2009 | 2010 | 2011 | 2012 |
|--|-------|-------|-------|-------|
| SCHEDULE 86 - Kayak Water System Multi-Family Residential | | | | |
| Monthly Min. Charge | 13.00 | 14.69 | 16.60 | 18.76 |
| Commodity Rate (per 100 cu ft) | 1.88 | 2.12 | 2.40 | 2.71 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 |
| SCHEDULE 87 - Kayak Water System Commercial/Industrial | | | | |
| Monthly Min. Charge | 28.25 | 31.92 | 36.07 | 40.76 |
| Commodity Rate (per 100 cu ft) | 1.83 | 2.07 | 2.34 | 2.64 |
| Surcharge | 20.00 | 20.00 | 20.00 | 20.00 |

RESOLUTION NO. 5412

A RESOLUTION Authorizing the Loan of Funds from the Electric Utility Revenue Fund to the Water Utility Revenue Fund and Providing for the Issuance of Memorandum of Indebtedness to Evidence Such Loan

WHEREAS, the Commission in Resolution No. 5403 approved a series of Water Utility rate increases beginning January 1, 2009 to address rising costs; and

WHEREAS, the Commission has adopted a budget for 2009 that includes the proposed sale of revenue bonds for the purpose of financing construction and installation of additions to and extensions of the District's Water Utility, including a replacement operations facility; and

WHEREAS, funds are required to finance some of the engineering and administrative work necessary to complete such construction and improvements until such time as revenue bonds are issued; and

WHEREAS, it is considered desirable and proper for the District's Electric Utility to advance funds to the Water Utility as necessary to pay for work and other costs necessary to address the above mentioned expenditures; and

WHEREAS, such interfund loans are expressly authorized by RCW 54.16.085; and

WHEREAS, the Electric System is in sound financial condition, and the funds to be loaned constitute surplus funds of the Electric System that are not currently expected to be needed to pay any costs or expenses of the Electric System for the period of such loans; and

WHEREAS, the Water System is in sound financial condition, such that the Commission currently expects the Water System to be able to make timely repayment of principal of and interest on such interfund loans.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No.1 of Snohomish County, Washington, that:

1. The Treasurer is hereby directed to create Inter-system loan accounts in the District's Electric and Water Utilities to the extent necessary to provide short-term financing for associated project improvements.
2. The Treasurer is hereby authorized to make payments from the District's Electric Utility Revenue Fund on a monthly basis as necessary to cover costs the Water Utility is unable to fund; provided that the maximum aggregate amount of such payments shall not exceed \$10,000,000.
3. Such payments shall be an indebtedness of the Water Utility, which indebtedness shall be evidenced by Memorandum of Indebtedness to be issued in the following form for any group of payments made to the Water Utility from the Electric Utility.

MEMORANDUM OF INDEBTEDNESS

Date: _____ Maximum Amount: \$10,000,000

The Water Utility Revenue Fund of Snohomish County, Washington, does hereby acknowledge an indebtedness unto the Electric Utility Revenue Fund of Public Utility District No.1 of Snohomish County, Washington, together with interest from at the rate of ____ percent per annum until paid in full. The total borrowed amount of principal, and interest, shall be payable to the Electric Utility Revenue Fund of Public Utility District No.1 of Snohomish County, Washington upon the issuance of 2009 revenue bonds, and in no event more than three years from the date set forth above.

Dated this ____ day of ____, 20__.

Assistant General Manager
Water Resources

4. The repayment of the loans shall be made either from (i) Water System revenue bond proceeds, or (ii) from revenues of the Water System on a basis that is junior and subordinate to the payment to third parties of debt service on any Water System bonds, notes or other obligations for borrowed money.
5. Said Memorandum of Indebtedness shall be executed by the Assistant General Manager of Water Resources of Public Utility District No.1 of Snohomish County, Washington, who is hereby specifically authorized to do so, which Memorandum shall evidence the amount and terms of an indebtedness by the District's Water Utility Revenue Fund to the Electric Utility Revenue Fund.
6. The interest rate to be charged by the Electric System for the inter-system loan described herein shall be established by the District's Treasurer at an appropriate market rate. The maximum term of each such Memorandum of Indebtedness shall not exceed three years.

PASSED AND APPROVED this 16th day of December, 2008.



President



Vice-President



Secretary

RESOLUTION NO. 5452

A RESOLUTION Authorizing the General Manager or His Designee to Execute a Mutual Aid and Assistance Agreement for Washington State for Intrastate Water/Wastewater Agency Response Network (WARN)

WHEREAS, Public Utility District No. 1 of Snohomish County (“District”) has been a member of the Everett Water Utilities Council and has participated in a mutual aid agreement with other Snohomish County water and sewer utilities since 2006; and

WHEREAS, District staff have participated in discussions with various members of the Intrastate Water/Wastewater Agency Response Network (“WARN”) and recommend that the District enter into the proposed Mutual Aid and Assistance Agreement, a copy of which is attached to this resolution as Exhibit ‘A,’ and incorporated herein by this reference; and

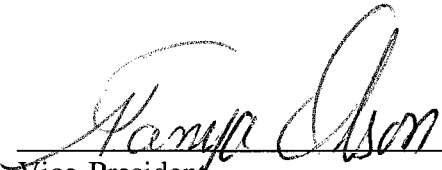
WHEREAS, based upon the information provided, the Board finds that it would be in the best interest of the District and its customers to enter into a Mutual Aid and Assistance Agreement with WARN so that the District has a broader access to resources in the event of an emergency.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington, that the General Manager or his designee is hereby authorized to execute on behalf of the District the Mutual Aid and Assistance Agreement for Washington State for Intrastate Water/Wastewater Agency Response Network (WARN), substantially in the form attached hereto as Exhibit ‘A,’ and incorporated herein by this reference.

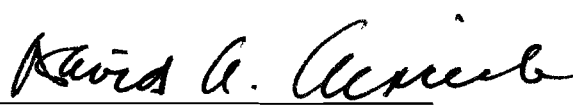
PASSED AND APPROVED this 15th day of September, 2009.

(not present)

President



Vice-President



Secretary

1 **Mutual Aid and Assistance Agreement for Washington State for Intrastate**
 2 **Water/Wastewater Agency Response Network (WARN)**
 3 *As of: 04/13/09*
 4

5 This Agreement ("Agreement") is made and entered into by public water and
 6 wastewater utilities that have executed this Agreement.
 7
 8

9 **ARTICLE I**
 10 **PURPOSE**
 11

12 Recognizing that emergencies may require aid or assistance in the form of
 13 personnel, equipment, and supplies from outside the area of impact, the
 14 signatories hereby establish an Intrastate Network for Mutual Aid and Assistance
 15 (the "Network"). Through the Network, Members (as further defined in this
 16 Agreement) may coordinate response activities and share resources during
 17 emergencies.
 18
 19

20 **ARTICLE II**
 21 **DEFINITIONS**
 22

- 23 A. Authorized Official – An employee or officer of a Member agency that is
 24 authorized to:
 25 1. Request assistance;
 26 2. Offer assistance;
 27 3. Decline to offer assistance;
 28 4. Decline to accept offers of assistance, and
 29 5. Withdraw assistance under this Agreement.
 30
 31 B. Emergency – A natural or human-caused event or circumstance causing, or
 32 imminently threatening to cause, loss of life, injury to person or property,
 33 human suffering, significant financial loss, or damage to environment. For
 34 example, Emergencies may include fire, explosion, flood, severe weather,
 35 drought, earthquake, volcanic activity, spills or releases of oil or hazardous
 36 material, contamination, utility or transportation emergencies, disease, blight,
 37 infestation, civil disturbance, riot, intentional acts, sabotage and war that are,
 38 or could reasonably be beyond the capability of the services, personnel,
 39 equipment, and facilities of a Member to fully manage and mitigate by itself.
 40
 41 C. Member – Any public agency which provides supply, transmission or
 42 distribution of water; or collection, conveyance or treatment services of storm
 43 water or waste water that executes this Agreement (individually a "Member")

- 1 and collectively the "Members"). The Members are further classified as
2 follows:
3
- 4 1. Requesting Member – A Member who requests aid or assistance under
5 the Network.
6
 - 7 2. Responding Member – A Member that responds to a request for aid or
8 assistance under the Network.
9
- 10 D. Period of Assistance – The period of time when a Responding Member assists
11 a Requesting Member in response to a Request for Assistance. The Period of
12 Assistance commences when personnel, equipment, or supplies depart from
13 Responding Member's facility and ends when all of the resources return to the
14 Responding Member's facility (*i.e.*, portal to portal).
15
- 16 E. National Incident Management System (NIMS): The national, standardized
17 system for incident management and response that sets uniform processes
18 and procedures for emergency response operations.
19
- 20 F. Associate – Any non-utility participant approved by the Statewide Committee
21 that provides a support role for the Network (such as the State Department of
22 Health). An Associate does not execute this Agreement.
23
24

25 **ARTICLE III**
26 **ADMINISTRATION**
27

- 28 The Network is administered through Regional Committees and a Statewide
29 Committee.
30
- 31 A. Regional Committees. The State is divided into regions that are
32 geographically the same as the existing Department of Health Office of
33 Drinking Water regions of the state, with the exception that the eastern region
34 is divided to create a central region. Each region has a Regional Committee.
35 Each Member within a region may appoint one person to be a member of its
36 Regional Committee. Only those Regional Committee members appointed by
37 Members are entitled to vote on matters before the Regional Committee. An
38 Associate may be a non-voting member of a Regional Committee. Each
39 Regional Committee shall elect a Chair by majority vote of the voting
40 members of that Regional Committee and shall meet annually to review the
41 operations and procedures of the Network.
42
 - 43 B. Statewide Committee. The Chairs of the Regional Committees are the voting
44 members of the Statewide Committee. An Associate may be a non-voting

1 member of the Statewide Committee. Further, the Statewide Committee also
2 may include as non-voting members representatives from the Washington
3 State Department of Health Office of Drinking Water, Washington State
4 Department of Ecology, Washington State Emergency Management Division,
5 Rural Community Assistance Corporation, Evergreen Rural Water of
6 Washington, Washington State Public Health Laboratory, EPA Region 10,
7 Washington Association of Sewer and Water Districts, and the Washington
8 PUD Association. Under the leadership of a Statewide Committee Chair
9 elected by majority vote of the voting members of the Statewide Committee,
10 the Statewide Committee shall plan and coordinate emergency planning and
11 response activities for the Network.

12
13 C. Members' administrative activities shall be voluntary and members shall not
14 be required to finance the administration of the Network, nor shall the Network
15 hold real or personal property.

16
17

18 **ARTICLE IV**
19 **PROCEDURES**

20

21 In coordination with the Regional Committees, and emergency management and
22 public health systems of the State, the Statewide Committee shall develop and
23 adopt operational and planning procedures for the Network that are consistent
24 with this Agreement. The Statewide Committee shall review these procedures at
25 least annually and shall update them as needed.

26
27

28 **ARTICLE V**
29 **REQUESTS FOR ASSISTANCE**

30

31 A. Member Information: Promptly after executing this Agreement, the signatory
32 Member shall deliver the following to the Statewide Committee: (1) a certified
33 copy of the action of Member's governing body that authorized the signing of
34 this Agreement and (2) an original signed Agreement. Each Member shall
35 identify an Authorized Official and one alternate Authorized Official. Each
36 Member shall provide current 24-hour contact information for its Authorized
37 Officials to the Statewide Committee, which shall maintain a current list of all
38 Members and the contact information for their Authorized Officials. The
39 Statewide Committee shall provide to all Members an updated version of this
40 list annually and whenever there is an addition or withdrawal of a Member
41 and whenever there is a change of Authorized Officials' contact information.

42

43 B. Request for Assistance. In the event of an Emergency, a Member's
44 Authorized Official may request mutual aid and assistance from Members

Mutual Aid and Assistance Agreement for Washington State WARN

1 (“Request for Assistance”). Requests for Assistance may be made orally or in
2 writing, provided that when a Request for Assistance is made orally, the
3 Requesting Member shall, as soon as practicable, identify and transmit in
4 writing the personnel, equipment and supplies requested. Requesting
5 Members shall direct Requests for Assistance to Authorized Officials. The
6 Statewide Committee shall provide specific protocols for Requests for
7 Assistance as part of the procedures created pursuant to Article IV of this
8 Agreement.

9
10 C. Response to a Request for Assistance – Members are not obligated to
11 respond to a Request for Assistance. After a Member receives a Request for
12 Assistance, the receiving Member’s Authorized Official shall evaluate whether
13 to respond to the Request for Assistance, whether resources are available to
14 respond, or if other circumstances would hinder response. Following the
15 evaluation, the Authorized Official shall inform, as soon as possible, the
16 Requesting Member whether the Member will respond to the Request for
17 Assistance. If the Member is willing and able to provide assistance, the
18 Member shall inform the Requesting Member of the type of available
19 resources and the approximate arrival time of such assistance.

20
21 D. Discretion of Responding Member’s Authorized Official – No Member has any
22 duty to respond to a Request for Assistance. When a Member receives a
23 Request for Assistance, the Authorized Official shall have sole and absolute
24 discretion as to whether or not to respond to the Request for Assistance, and
25 if responding in the affirmative, to determine the availability of resources to be
26 made available to the Requesting Member. The response of a Member’s
27 Authorized Official regarding the availability of resources to a Requesting
28 Member shall be final.

29
30 E. No Liability for Failure to Respond – No Member will be liable to any other
31 Member for deciding not to respond to a Request for Assistance or otherwise
32 failing to respond to a Request for Assistance. All Members hereby waive all
33 claims against all other Members arising from or relating to any Member’s
34 decision to not respond to a Request for Assistance or to any Member’s failure
35 to respond to a Request for Assistance.

36
37
38
39

ARTICLE VI
RESPONDING MEMBER PERSONNEL

40
41 A. National Incident Management System - When providing assistance under
42 this Agreement, the Requesting Member and Responding Member are
43 encouraged (but are not obligated) to be organized and function under NIMS.

44

- 1 B. Coordination and Records – Employees of the Responding Member will
2 remain under the direction and control of the Responding Member to the
3 fullest extent possible. The Responding Member is an independent
4 contractor at all times. The Requesting Member's Authorized Official shall
5 coordinate response activities with the designated supervisor(s) of the
6 Responding Member(s). The Responding Member's designated supervisor(s)
7 shall keep accurate records of work performed by personnel during the Period
8 of Assistance and for the equipment and supplies provided during work.
9
- 10 C. Food and Shelter – Whenever practical, Responding Member personnel must
11 be self sufficient for up to seventy-two (72) hours. Whenever practical, the
12 Requesting Member shall supply adequate food and shelter for Responding
13 Member personnel. If the Requesting Member is unable to provide food and
14 shelter for Responding Member personnel, the Responding Member's
15 designated supervisor is authorized to secure the food and shelter necessary
16 to meet the needs of its personnel.
17
- 18 D. Communication – The Requesting Member shall provide Responding
19 Member personnel with communications equipment as available, radio
20 frequency information to program existing radios if appropriate, or telephone
21 contact numbers, in order to facilitate communications with local responders
22 and utility personnel. Each Requesting Member shall provide contact
23 information for an individual with whom Responding Member's personnel may
24 coordinate while en-route for access, staging instructions and other logistical
25 requirements.
26
- 27 E. Status - Unless otherwise provided by law, the Responding Member's officers
28 and employees shall have the same powers, duties, rights, privileges, and
29 immunities as if they were performing their duties in the jurisdiction in which
30 they are normally employed.
31
- 32 F. Licenses and Permits – To the extent permitted by law, Responding Member
33 personnel that hold licenses, certificates, or permits evidencing professional,
34 mechanical, or other skills shall be allowed to carry out activities and tasks
35 relevant and related to their respective credentials during a Period of
36 Assistance.
37

38
39 **ARTICLE VII**
40 **RIGHT TO WITHDRAW RESOURCES**
41

- 42 A. Right to Withdraw - A Responding Member may withdraw some or all of its
43 resources at any time for any reason, as determined in the Responding
44 Member's sole and absolute discretion. The Responding Member shall

1 communicate written or oral notice of intention to withdraw all or some of a
2 Responding Member's resources to the Requesting Member's Authorized
3 Official as soon as practicable under the circumstances. To the greatest
4 extent possible, but without limiting in any way a Responding Member's sole
5 and absolute discretion, a Responding Member's determination to withdraw
6 some or all of its resources provided to a Requesting Member should
7 consider the status of the incident and incident stability, to minimize any
8 adverse impacts from the withdrawal of resources by a Responding Member.

9
10 B. No Liability for Withdrawal - No Member will be liable to any other Member
11 for first responding to a Request for Assistance by providing resources (such
12 as personnel, materials, and equipment) and later withdrawing or refusing to
13 continue to provide some or all of those resources. All Members hereby
14 waive all claims against all Members arising from or relating to such a
15 withdrawal or refusal.

16
17
18 **ARTICLE VIII**
19 **COST- REIMBURSEMENT**
20

21 The Requesting Member shall reimburse the Responding Member for all costs
22 incurred by the Responding Member during a Period of Assistance, unless
23 otherwise agreed in writing by both Members.

24
25 A. Personnel – The Requesting Member shall reimburse the Responding
26 Member for personnel costs incurred for work performed during a Period of
27 Assistance. Responding Member personnel costs will be calculated according
28 to the terms provided in their employment contracts, hourly rate schedules or
29 other conditions of employment. The Responding Member's designated
30 supervisor(s) shall keep accurate records of work performed by personnel
31 during a Period of Assistance. The Requesting Member shall include in its
32 reimbursement of the Responding Member all personnel costs, including
33 salaries or hourly wages, costs for fringe benefits, and indirect costs.

34
35 Unless otherwise agreed in writing, the Requesting Member shall reimburse
36 the Responding Member for all reasonable and necessary costs associated
37 with providing food and shelter for the Responding Member's personnel, if the
38 food and shelter are not provided by the Requesting Member. The
39 Requesting Member is not required to reimburse the Responding Member for
40 food and shelter costs in excess of State per diem rates unless the
41 Responding Member demonstrates in writing that the excess costs were
42 reasonable and necessary under the circumstances.
43

- 1 B. Equipment – The Requesting Member shall reimburse the Responding
2 Member for the use of equipment during a Period of Assistance, including, but
3 not limited to, reasonable rental rates, all fuel, lubrication, maintenance,
4 transportation, and loading/unloading of loaned equipment. The Requesting
5 Member shall return all equipment to the Responding Member in good
6 working order as soon as is practicable and reasonable under the
7 circumstances. If equipment cannot be returned in good working order, then
8 Requesting Member shall either provide in-kind replacement equipment to
9 Responding Member at no cost to Responding Member or pay to Responding
10 Member the actual replacement cost of the equipment. Reimbursement rates
11 for equipment use will be no less than the Federal Emergency Management
12 Agency's (FEMA) Schedule of Equipment Rates. If a Responding Member
13 uses rates different from those in the FEMA Schedule of Equipment Rates,
14 the Responding Member shall provide such rates orally or in writing to the
15 Requesting Member prior to supplying the equipment. If reimbursement rates
16 are to be different than those in the FEMA Schedule of Equipment rates,
17 Responding Member and Requesting Member shall agree in writing on which
18 rates will be used prior to dispatch of the equipment to the Requesting
19 Member. Requesting Member shall reimburse for equipment not referenced
20 on the FEMA Schedule of Equipment Rates based on actual recovery of
21 costs. If a Responding Member is required to lease equipment while its
22 equipment is being repaired because of damage due to use during a Period of
23 Assistance, Requesting Member shall reimburse Responding Member for
24 such rental costs.
25
- 26 C. Materials and Supplies – The Requesting Member shall reimburse the
27 Responding Member in kind or at actual replacement cost, plus handling
28 charges, for use of expendable or non-returnable supplies by the Responding
29 Member during a Period of Assistance. The Responding Member shall not
30 charge direct fees or rental charges to the Requesting Member for other
31 supplies and reusable items that are returned to the Responding Member in a
32 clean, damage-free condition. Reusable supplies that are returned to the
33 Responding Member with damage will be treated as expendable supplies for
34 purposes of cost reimbursement.
35
- 36 D. Payment Period – In order to be reimbursed, the Responding Member shall
37 provide an itemized bill to the Requesting Member no later than ninety (90)
38 days following the end of the Period of Assistance for all expenses incurred
39 by the Responding Member while providing assistance to a Requesting
40 Member under this Agreement. The Responding Member may request
41 additional time to submit the itemized bill, and Requesting Member shall not
42 unreasonably withhold consent to such a request. The Requesting Member
43 shall pay the itemized bill in full on or before the forty-fifth (45th) day following
44 the billing date. The Requesting Member may request additional time to pay

1 the itemized bill, and Responding Member shall not unreasonably withhold
 2 consent to such a request, but in no event will payment in full occur later than
 3 one year after the date a final itemized bill is submitted to the Requesting
 4 Member. If a Responding Member disputes a portion of an itemized bill, the
 5 Requesting Member shall promptly pay those portions of the bill not under
 6 dispute, pending the resolution of the payment of the disputed portion of the
 7 bill.

8
 9 E. Records - Where a Responding Member provides assistance to a Requesting
 10 Member under this Agreement, both Members shall provide the other
 11 Member access to the books, documents, notes, reports, papers and other
 12 records relevant to this Agreement for the purposes of reviewing the accuracy
 13 of a cost bill or making or undergoing a financial, maintenance or regulatory
 14 audit. Both Members shall maintain these records for at least three (3) years
 15 or longer where required by law.

16
 17
 18 **ARTICLE IX**
 19 **DISPUTES**

20
 21 **NEGOTIATION**

22 Members shall first attempt to resolve any controversy, claim or other dispute
 23 arising out of or relating to this Agreement by direct negotiation.

24
 25 **MEDIATION**

26 To the extent not resolved by direct negotiation, Members shall mediate any
 27 controversy, claim or other dispute arising out of or relating to this Agreement.
 28 Mediation is a condition precedent to arbitration. Unless the disputing Members
 29 agree otherwise, the mediation will be administered by the American Arbitration
 30 Association (AAA) under its Construction Industry Mediation Procedures. The
 31 disputing Members shall pay in equal shares the mediator's fee and any filing
 32 fees. Unless otherwise agreed by the disputing Members, the disputing
 33 Members shall (1) hold the mediation no later than thirty (30) days after a
 34 disputing Member delivers a request for mediation to the other disputing
 35 Members and (2) hold the mediation at the location of the Requesting Member.
 36 Agreements reached in mediation will be enforceable as settlement agreements.

37
 38 **ARBITRATION**

39 To the extent not resolved by mediation, Members shall arbitrate all
 40 controversies, claims and other disputes arising out of or relating to this
 41 Agreement. Unless the disputing Members agree otherwise, the arbitration will
 42 be administered by the AAA in accordance with its Construction Industry
 43 Arbitration Rules in effect on the date a disputing Member makes a demand for
 44 arbitration.

1 A disputing Member may make a demand for arbitration before negotiation or
2 mediation if it appears that a claim might be barred by a statute of limitations if
3 the demand were made after the negotiation or mediation. However, in such a
4 case the arbitration will be stayed until the conclusion of negotiation and
5 mediation.

6
7 The decision and award rendered by the arbitrator(s) shall be final, and judgment
8 may be entered upon it in accordance with applicable law in any court having
9 jurisdiction thereof.

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12 **ARTICLE X**
13 **DUTY TO INDEMNIFY**
14

15 To the extent of its fault, a Member shall defend, indemnify, and hold harmless all
16 other Members, their elected officials, Authorized Officials, officers, employees
17 and agents from any and all costs, claims, judgments, losses, awards of damage,
18 injury, death and liability of every kind, nature and description, including the
19 reasonable cost of defense and attorneys' fees, directly or indirectly arising from
20 or relating to this Agreement (collectively, "Indemnified Claims").

21
22 This indemnity obligation extends to all Indemnified Claims against a Member by
23 an employee or former employee of another Member, and for this purpose, by
24 mutual negotiation, each Member hereby expressly waives, with respect to each
25 other Member only, all immunity and limitation under any applicable industrial
26 insurance act, including Title 51 of the Revised Code of Washington, other
27 worker compensation acts, disability benefit acts or other employee benefit act of
28 any jurisdiction which would otherwise be applicable in the case of Indemnified
29 Claims.

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32 **ARTICLE XI**
33 **WORKER'S COMPENSATION AND SITE CONDITIONS**
34

35 The Responding Member is responsible for providing worker's compensation
36 benefits and administering worker's compensation for its employees. The
37 Requesting Member is responsible for providing worker's compensation benefits
38 and administering worker's compensation for its employees.

39
40 Each Member shall promptly identify to the other Members concerns about site
41 safety, environmental concerns, and other working conditions. The Safety
42 Officer appointed within the Incident Command System during the Period of
43 Assistance shall address specific safety conditions and mitigations.
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ARTICLE XII
NOTICE

Unless otherwise provided in this Agreement, all notices must be in writing. Notice to a Member must be delivered to the Member's Authorized Official.

ARTICLE XIII
EFFECTIVE DATE

This Agreement shall be effective with respect to each Member when that Member's authorized representative executes the Agreement. The Statewide Committee shall maintain a master list of all Members.

ARTICLE XIV
WITHDRAWAL

A Member may withdraw from this Agreement at any time by providing to the Statewide Committee Chair written notice of withdrawal signed by the withdrawing Member's Authorized Official or other person authorized by the withdrawing Member's governing body. Any withdrawal will be effective upon receipt by the Statewide Committee Chair of the notice of intent to withdraw. If there is no Statewide Committee Chair, the withdrawing Member shall provide written notice to each Member in its region, and the withdrawal will be effective upon delivery of those notices. Once withdrawal from this Agreement is effective, the withdrawing Member will have no further obligations under this Agreement, except that withdrawal from this Agreement will not affect any indemnification or reimbursement obligation under this Agreement that arises prior to the effective date of the withdrawal.

ARTICLE XV
TERMINATION

This Agreement shall terminate in its entirety when there are less than two Members. Termination of this Agreement will not affect any indemnification or reimbursement obligation under this Agreement arising prior to the termination. The Statewide Committee Chair shall provide written notice of termination to all remaining Members of the Agreement.

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**ARTICLE XVI
AMENDMENT**

This Agreement may be amended if, after written notice of a proposed amendment to all Members, the proposed amendment is approved by a majority of Members in each region. The Statewide Committee Chair shall provide written notice to all Members of approved amendments. Approved amendments will take effect sixty (60) days after the date the notice is sent to the Members.

**ARTICLE XVII
SEVERABILITY**

The parties agree that if any term or provision of this Agreement is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular term or provision held to be invalid.

**ARTICLE XVIII
PROHIBITION ON THIRD PARTIES AND ASSIGNMENT OF RIGHTS/DUTIES**

Notwithstanding rights of subrogation asserted by a Member's insurance provider, this Agreement is for the sole benefit of the Members and no other person or entity shall have any rights under this Agreement as a third party beneficiary nor shall any Member owe duty to a third party not a signatory of this Agreement by virtue of this Agreement. Assignments of benefits and delegations of duties created by this Agreement are prohibited and of no effect.

**ARTICLE XIX
GOVERNING LAW**

This Agreement is governed by the law of the State of Washington, specifically RCW 39.34, Interlocal Cooperation Act.

ARTICLE XX
EXECUTION IN COUNTERPARTS

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This Agreement may be executed in any number of counterparts and by different parties in separate counterparts. Each counterpart when so executed shall be deemed to be an original and all of which together shall constitute one and the same Agreement.

The water and wastewater utility listed below executed this Agreement on this _____ day of _____ 2009.

Water/Wastewater Utility: _____

By: _____

By: _____

Title: _____

Title _____

Please Print Name

Please Print Name

Approved as to form

By: _____

Attorney for Member

Please Print Name

RESOLUTION NO. 5460

FOURTH SUPPLEMENTAL WATER SYSTEM
REVENUE BOND RESOLUTION

A RESOLUTION authorizing the issuance of Water System Revenue Bonds, Series 2009, of Public Utility District No. 1 of Snohomish County, Washington, to finance certain improvements to the District's Water System, and approving a bid for the purchase of the bonds.

WHEREAS, Public Utility District No. 1 of Snohomish County, Washington (the "District") owns and operates a water supply and distribution system for the supply and distribution of water for all purposes (the "Water System"); and

WHEREAS, the Commission by Resolution No. 3825 adopted on August 25, 1992, authorized the issuance of bonds of the District payable from revenue of the Water System to be issued in series and known as the Public Utility District No. 1 of Snohomish County, Washington, Water System Revenue Bonds; and

WHEREAS, the Commission by Resolution No. 5031 adopted on January 8, 2002, issued its Water System Revenue and Refunding Bonds, Series 2002 (the "2002 Bonds"); and

WHEREAS, the Commission by Resolution No. 5256 adopted on May 16, 2006, issued the Water System Revenue and Refunding Bonds, Series 2006 (the "2006 Bonds"); and

WHEREAS, it is in the best interest of the District and ratepayers of the Water System to undertake certain capital improvements to the Water System; and

WHEREAS, it is in the best interest of the District and ratepayers of the Water System to issue water system revenue bonds to finance these capital improvements and to sell the bonds by competitive bid; and

WHEREAS, a preliminary official statement dated October 23, 2009, has been prepared for the sale of the 2009 Bonds, the Official Notice of Bond Sale (the "Notice of Sale") has been published, and bids have been received in accordance with the Notice of Sale; and

WHEREAS, the attached bid of Fidelity Capital Markets, a division of National Financial Services LLC (the "Purchaser"), to purchase the 2009 Bonds is the best bid received for the 2009 Bonds, and it is in the best interest of the District and ratepayers of the Water System that the 2009 Bonds be sold to the Purchaser on the terms set forth in the Notice of Sale, the Purchaser's bid, and this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON AS FOLLOWS:

ARTICLE I

DEFINITIONS AND FINDINGS

Section 1.01. Supplemental Resolution. This Fourth Supplemental Resolution is supplemental to Resolution No. 3825 (the "Resolution") and is adopted in accordance with Article II of the Resolution.

Section 1.02. Definitions. All terms defined in Section 1.1 of the Resolution have the same meanings when used in this Fourth Supplemental Resolution. In addition, in this Fourth Supplemental Resolution:

"DTC" means The Depository Trust Company of New York, New York.

"Federal Tax Certificate" means the certificate executed by the Treasurer or Deputy Treasurer of the District pertaining to tax matters with respect to the 2009 Bonds.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"Notice of Sale" means the official notice of sale published by the District with respect to the 2009 Bonds.

"Purchaser" means Fidelity Capital Markets, a division of National Financial Services LLC.

"Rule" means the SEC's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"2002 Bonds" means the Water System Revenue and Refunding Bonds, Series 2002, issued pursuant to Resolution No. 5031.

"2006 Bonds" means the Water System Revenue and Refunding Bonds, Series 2006, issued pursuant to Resolution No. 5226.

"2009 Bonds" means the Water System Revenue Bonds, Series 2009, issued pursuant to this resolution.

Section 1.03. Findings; Adoption of Plan and System.

A. Parity Conditions. The Commission hereby finds as required by Section 2.3 of the Resolution as follows:

1. The 2009 Bonds will be issued for the purpose of making capital improvements to the Water System.

2. At the times of the issuance of the 2009 Bonds there will be no deficiency in the Bond Fund or any accounts therein.

3. The District will deposit into the Reserve Account out of 2009 Bond proceeds an amount equal to the Reserve Account Requirement.

4. At the time of the issuance of the 2009 Bonds there will be on file a certificate of the Treasurer as required by Section 2.3(b)(ii) of the Resolution.

B. Plan and System. The public interest and welfare require that the District finance a portion of its capital improvement plan for the Water System for 2009 through 2011, which includes construction of a new water operations facility, water main replacement projects, and other improvements. The estimated cost of constructing the improvements is approximately \$21,328,000. The Commission hereby specifies and adopts such improvements as a plan and system for additions and betterments to the Water System.

Section 1.04. Due Regard. The Commission hereby finds that due regard has been given to the costs of operation and maintenance of the Water System and that it has not obligated the District to set aside into the Bond Fund for the account of the 2009 Bonds a greater amount of the revenues and proceeds of the Water System than, in its judgment, will be available over and above the costs of maintenance and operation.

ARTICLE II

AUTHORIZATION OF 2009 BONDS; TAX COVENANTS

Section 2.01. Terms of the 2009 Bonds and Acceptance of Purchaser's Bid.

A. Description. The District will issue and sell the 2009 Bonds in the aggregate principal amount of \$13,085,000 to finance the plan and system described in Section 1.03, to fund the Reserve Account, and to pay costs of issuing the 2009 Bonds. The 2009 Bonds will be designated "Public Utility District No. 1 of Snohomish County, Washington, Water System Revenue Bonds, Series 2009"; will be dated the date of their initial delivery to the Purchaser; will be in the denomination of \$5,000 each or any integral multiple thereof, provided that no 2009 Bond will represent more than one maturity; will be fully registered as to both principal and interest; and will be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification.

The Commission hereby accepts Purchaser's bid to purchase the 2009 Bonds, as set forth on Exhibit A to this resolution. In accordance with the Notice of Sale, the District reserved the right to change the individual maturity amounts of the 2009 Bonds after the bid award. Such adjustments and the final maturity schedule and pricing, all as approved by the Purchaser, are attached as Exhibit B. The 2009 Bonds will mature on the dates and in the amounts, and will bear interest payable on the dates and at the rates, all as set forth in Exhibit B, and shall conform in all other respects to the terms and conditions specified in the Notice of Sale, Purchaser's bid and this resolution.

The 2009 Bonds shall be subject to optional redemption as set forth in the Notice of Sale and Purchaser's bid.

B. Book Entry, Exchanges and Transfers. The 2009 Bonds will initially be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the form of Letter of Representations. To induce DTC to accept the 2009 Bonds as eligible for deposit at DTC, the District has executed and delivered the Letter of Representations. The 2009 Bonds will be issued in denominations equal to the aggregate principal amount of each maturity and initially will be registered in the name of CEDE & Co., as the nominee of DTC.

Neither the District nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the accuracy of any records maintained by DTC or any DTC participant as to the 2009 Bonds, the payment by DTC or any DTC participant of any amount in respect of the principal or redemption price of or interest on the 2009 Bonds, any notice that is permitted or required to be given to registered owners under this Fourth Supplemental Resolution (except any such notices as are required to be given by the District to the Registrar or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the 2009 Bonds or any consent given or other action taken by DTC as the registered owner of the 2009 Bonds. For so long as any 2009 Bonds are held in fully immobilized form hereunder, DTC or its successor depository will be deemed to be the registered owner for all purposes hereunder, and all references in this Fourth Supplemental Resolution to registered owners, bondowners or the like will mean DTC or its nominee and not the owners of any beneficial interests in the 2009 Bonds.

(i) The 2009 Bonds will be registered initially in the name of "CEDE & Co.," as nominee of DTC, with one Bond for each maturity. Purchases of the 2009 Bonds may be made through brokers and dealers, who must be or act through participants in DTC, in principal amounts of \$5,000 and integral multiples thereof. Registered ownership of such immobilized 2009 Bonds, or any portions thereof, may not thereafter be transferred except (a) to any successor of DTC or its nominee, provided that any such successor must be qualified under any applicable laws to provide the service proposed to be provided by it; (b) to any substitute depository appointed by the District pursuant to subsection (ii) below or such substitute depository's successor; or (c) to any person as provided in subsection (iv) below.

(ii) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the District that it is no longer in the best interests of owners of beneficial interests in the 2009 Bonds to continue the

system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the District may appoint a substitute depository or terminate the use of a depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(iii) In the case of any transfer pursuant to clause (a) or (b) of subsection (i) above, the Registrar will, upon receipt of all outstanding 2009 Bonds, together with a written request on behalf of the District, issue a single new 2009 Bond for each maturity of such 2009 Bonds then outstanding, registered in the name of such successor or such substitute depository, or its nominee, as the case may be, all as specified in such written request of the District.

(iv) In the event that (a) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository or (b) the District determines that it is in the best interests of the District or the beneficial owners of the 2009 Bonds that they be able to obtain bond certificates, the ownership of 2009 Bonds may then be transferred to any person or entity as herein provided, and the 2009 Bonds will no longer be held in fully immobilized form. The District will deliver a written request to the Registrar, together with a supply of definitive 2009 Bonds, to issue 2009 Bonds as herein provided in any authorized denomination. Upon receipt of all then outstanding 2009 Bonds by the Registrar together with a written request on behalf of the District to the Registrar, new 2009 Bonds will be issued in such denominations and registered in the names of such persons as are specified in such written request.

(v) As long as DTC or its successor (or substitute depository or its successor) is not the registered owner of the 2009 Bonds, any 2009 Bond may be transferred pursuant to its provisions at the principal office for such purpose of the Registrar by surrender of such 2009 Bond for cancellation, accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner in person or by his or her duly authorized attorney, and thereupon the District will issue and the Registrar will authenticate and deliver at the principal office of the Registrar (or send by registered or first class insured mail to the owner thereof at his expense), in the name of the transferee or transferees, a new 2009 Bond of the same interest rate, principal amount and maturity, and on which interest accrues from the last interest payment date to which interest has been paid so that there will result no gain or loss of interest as a result of such transfer, upon payment of any applicable tax or governmental charge. To the extent of denominations authorized in respect of any such 2009 Bond by the terms of this Fourth Supplemental Resolution, one such 2009 Bond may be transferred for several such 2009 Bonds of the same interest rate and maturity, and for a like aggregate principal amount, and several such 2009 Bonds of the same interest rate and maturity may be transferred for one or several such 2009 Bonds, respectively, of the same interest rate and maturity and for a like aggregate principal amount.

Upon the request of the District, the Registrar will notify the District of all registrations of 2009 Bonds and all changes in registrations of 2009 Bonds. The Registrar will maintain the registration books on behalf of the District and make copies thereof available to the District on request.

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In every case of a transfer of any 2009 Bonds, the surrendered 2009 Bonds will be canceled by the Registrar and a certificate evidencing such cancellation will be promptly transmitted by the Registrar to the District. As a condition of any such transfer, the District, at its option, may require the payment by the transferor of a sum sufficient to reimburse it for any tax or other governmental charge that may be imposed thereon. All 2009 Bonds executed, authenticated and delivered in exchange for or upon transfer of 2009 Bonds so surrendered will be valid obligations of the District evidencing the same debt as the 2009 Bonds surrendered, and will be entitled to all the benefits and protection of this Fourth Supplemental Resolution to the same extent as the 2009 Bonds upon transfer of which they were executed, authenticated and delivered.

Section 2.02. Tax Covenants. The District must comply with the provisions of this section unless, in the written opinion of Bond Counsel to the District, such compliance is not required to maintain the exemption of the interest on the 2009 Bonds from federal income taxation.

The District hereby covenants that it will not make any use of the proceeds of sale of the 2009 Bonds or any other funds of the District which may be deemed to be proceeds of such 2009 Bonds pursuant to Section 148 of the Code and the applicable regulations thereunder that will cause the 2009 Bonds to be "arbitrage bonds" within the meaning of said section and said regulations. The District will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the 2009 Bonds) and the applicable regulations thereunder throughout the term of the 2009 Bonds.

The District further covenants that it will not take any action or permit any action to be taken that would cause the 2009 Bonds to constitute "private activity bonds" under Section 141 of the Code.

The District will pay any rebate amount to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption of the interest payments on the 2009 Bonds, in accordance with the Federal Tax Certificate.

The 2009 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

Section 2.03. Disposition of 2009 Bond Proceeds. The proceeds from the sale of the 2009 Bonds will be applied as follows:

A. The amount required, together with amounts currently in the Reserve Account, to meet the Reserve Account Requirement will be deposited into the Reserve Account;

B. The balance will be deposited into the Construction Fund and used to finance the costs of improvements to the Water System described in Section 1.03 and such other Water System improvements determined by the Commission, to reimburse the Revenue Fund for such costs, and to pay costs of issuing the 2009 Bonds.

ARTICLE III

DELIVERY OF 2009 BONDS; APPROVAL OF DOCUMENTS

Section 3.01. Execution and Delivery of the 2009 Bonds. The proper officers of the Commission and the General Manager and Treasurer of the District are hereby authorized and directed to do all things necessary or proper for the printing, execution and delivery of the 2009 Bonds to the Purchaser in accordance with the terms of the Notice of Sale, Purchaser's bid, the Resolution, and this Fourth Supplemental Resolution.

Section 3.02. Official Statement; Use of Documents. The President of the Commission and the General Manager are authorized and directed to execute and deliver to the Purchaser copies of an Official Statement in substantially the form of the Preliminary Official Statement; provided, however, that the General Manager is authorized to supplement or amend the Preliminary Official Statement as the General Manager, with the approval of Bond Counsel to the District, deems necessary or appropriate.

The Commission approves and authorizes the use of such Official Statement (including any such supplements and amendments thereto) in connection with the public offering and sale of the 2009 Bonds by the Purchaser and authorizes the President of the Commission or General Manager to execute such Official Statement on behalf of the District.

Section 3.03. Investment of Proceeds. The Treasurer of the District is authorized and directed to cause the proceeds of sale of the 2009 Bonds to be invested and reinvested in accordance with the Resolution.

ARTICLE IV

ONGOING DISCLOSURE

Section 4.01. Undertaking to Provide Ongoing Disclosure.

A. Contract/Undertaking. This section constitutes the District's written undertaking for the benefit of the holders of the 2009 Bonds as required by Section (b)(5) of the Rule.

B. Financial Statements/Operating Data. The District agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2010 for the fiscal year ended December 31, 2009):

1. Annual financial statements showing ending fund balances for the Water System prepared in accordance with generally accepted accounting principles as promulgated for municipalities (and as modified as may be required by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute)) and generally of the type included in the official statement for the 2009 Bonds under the heading "Comparative Income Statements";

Resolution No. **5 4 6 0**

2. Principal amount of outstanding Bonds;
3. Debt service coverage for outstanding Bonds;
4. Aggregate cubic feet of water usage per year for, and gross revenue from, the Water System's ten largest customers; and
5. Water System operating statistics showing average number of customers, water sales, system use and losses and water purchased.

Such annual information and operating data described above will be provided on or before nine months after the end of the District's fiscal year. The District's current fiscal year ends December 31. The District may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the District may cross-reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, the District will provide the District's audited annual financial statement prepared in accordance with generally accepted accounting principles (and as modified as may be required by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute), when and if available, to the MSRB.

C. Material Events. The District agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of the occurrence of any of the following events with respect to the 2009 Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the 2009 Bonds;
7. Modifications to the rights of 2009 Bond owners;
8. 2009 Bond calls (other than mandatory sinking fund redemptions);

9. Defeasances;
10. Release, substitution or sale of property securing repayment of the 2009 Bonds; and
11. Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the District advises that no real property secures repayment of the 2009 Bonds. The only debt service reserve is the Reserve Account.

D. Notification Upon Failure to Provide Financial Data. The District agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information described in subsection B above on or prior to the date set forth in subsection B above.

E. Format for Filings with the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

F. Termination/Modification. The District's obligations to provide annual financial information and notices of material events will terminate upon the legal defeasance, prior redemption or payment in full of all of the 2009 Bonds. This section, or any provision hereof, will be null and void if the District (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the 2009 Bonds; and (2) notifies the MSRB of such opinion and the cancellation of this section.

The District may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the District shall describe such amendment in the next annual report, and shall include, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (c), and (ii) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

G. Bond Owner's Remedies Under This Section. The right of any Bond Owner or Beneficial Owner of 2009 Bonds to enforce the provisions of this section is limited to a right to obtain specific enforcement of the District's obligations hereunder, and any failure by the District to comply with the provisions of this undertaking will not be an event of default with respect to the 2009 Bonds hereunder. For purposes of this section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2009 Bonds, including persons holding 2009 Bonds through nominees or depositories.

ARTICLE V

MISCELLANEOUS

Section 5.01. Effective Date. This Fourth Supplemental Resolution will become effective upon its adoption.

Section 5.02. Ratification of Past Acts and Authorization of Future Acts. All actions and proceedings heretofore taken by the officers, agents, attorneys and employees of the District in connection with the sale and issuance of the 2009 Bonds are hereby ratified, approved and confirmed.

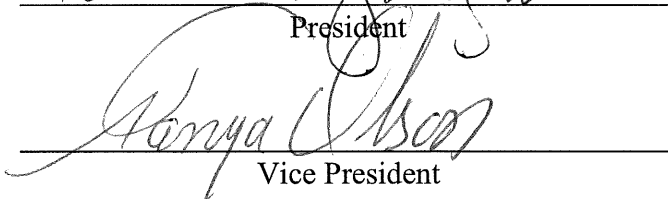
The Commission further authorizes and directs all proper officers, agents, attorneys and employees of the District to carry out or cause to be carried out all obligations of the District under this Fourth Supplemental Resolution, to execute additional documents and certificates and to perform such other acts as they may consider necessary or advisable in connection with the sale and issuance of the 2009 Bonds.

Adopted by the Commission of Public Utility District No. 1 of Snohomish County, Washington, this 3rd day of November, 2009.

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON



President



Vice President



Secretary

Resolution No. **5460**

EXHIBIT A

Purchaser's Bid

Upcoming Calendar Overview Result Excel

Fidelity Capital Markets - Boston , MA's Bid
Snohomish Co PUD #1
\$13,040,000 Water System Revenue Bonds, Series 2009



For the aggregate principal amount of \$13,040,000.00, we will pay you \$12,943,257.65, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

| Maturity Date | Amount \$ | Coupon % |
|---------------|-----------|----------|
| 12/01/2011 | 450M | 2.5000 |
| 12/01/2012 | 455M | 2.5000 |
| 12/01/2013 | 465M | 2.5000 |
| 12/01/2014 | 475M | 3.0000 |
| 12/01/2015 | 485M | 3.5000 |
| 12/01/2016 | 500M | 4.0000 |
| 12/01/2017 | 515M | 4.0000 |
| 12/01/2018 | 535M | 4.0000 |
| 12/01/2019 | 550M | 4.0000 |
| 12/01/2020 | 570M | 4.0000 |
| 12/01/2021 | 595M | 4.0000 |
| 12/01/2022 | 615M | 4.0000 |
| 12/01/2023 | 640M | 4.0000 |
| 12/01/2024 | 665M | 4.0000 |
| 12/01/2025 | 695M | 4.0000 |
| 12/01/2026 | 720M | 4.1250 |
| 12/01/2027 | 755M | 4.2000 |
| 12/01/2028 | 785M | 4.2500 |
| 12/01/2029 | 820M | 4.3000 |
| 12/01/2030 | 855M | 4.3750 |
| 12/01/2031 | 895M | 4.3750 |

Total Interest Cost: \$7,132,079.33
 Discount: \$96,742.35
 Net Interest Cost: \$7,228,821.68
 TIC: 4.146621
 Time Last Bid Received On: 11/03/2009 8:29:13 PST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Fidelity Capital Markets, Boston , MA
 Contact: david banta
 Title: vice-president
 Telephone: 617-563-7691
 Fax: 617-692-5949

Issuer Name: Snohomish County Public Utility District No. 1

Company Name: _____

Accepted By: _____

Accepted By: _____

Date: _____

Date: _____

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Resolution No. **5460**

EXHIBIT B

Final Term Sheet

Resolution No. 5 46 0

\$13,085,000
 Public Utility District No. 1 of Snohomish County, Washington
 Water System Revenue Bonds, Series 2009

Final Term Sheet

(All changes are indicated in **BOLD**)

Issue Size: \$13,085,000
Dated Date: As of Settlement
Settlement Date: November 18, 2009
Purchase Price: \$12,985,028.68
Moody's Rating: A1
S&P's Rating: AA

Maturity Schedule, As Adjusted

| Principal Payment Date (December 1) | Principal | Change |
|--|------------------|---------------|
| 2011 | \$ 430,000 | \$ (20,000) |
| 2012 | 440,000 | (15,000) |
| 2013 | 455,000 | (10,000) |
| 2014 | 465,000 | (10,000) |
| 2015 | 480,000 | (5,000) |
| 2016 | 495,000 | (5,000) |
| 2017 | 515,000 | No Change |
| 2018 | 535,000 | No Change |
| 2019 | 555,000 | 5,000 |
| 2020 | 580,000 | 10,000 |
| 2021 | 600,000 | 5,000 |
| 2022 | 625,000 | 10,000 |
| 2023 | 650,000 | 10,000 |
| 2024 | 675,000 | 10,000 |
| 2025 | 705,000 | 10,000 |
| 2026 | 730,000 | 10,000 |
| 2027 | 760,000 | 5,000 |
| 2028 | 795,000 | 10,000 |
| 2029 | 830,000 | 10,000 |
| 2030 | 865,000 | 10,000 |
| 2031 | 900,000 | 5,000 |

Please acknowledge the amended size, price and maturity amounts by signing and sending this page to Scott Bauer by facsimile to (425) 452-9552.

 Dave Banta, Fidelity Capital Markets

[Handwritten Signature] 11/3/09

CERTIFICATE

I, the undersigned, Clerk of the Commission of Public Utility District No. 1 of Snohomish County, Washington, and keeper of the records of the Commission (the "Commission"), DO HEREBY CERTIFY:

1. That the attached Resolution No. 5460 (the "Resolution") is a true and correct copy of a resolution of the Commission, as finally adopted at a regular meeting of the Commission held on November 3, 2009, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption of said Resolution have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

DATED this 4th day of November, 2009.



Clerk of the Commission

RESOLUTION NO. 5463

A RESOLUTION Authorizing the General Manager to Execute a Wholesale Water Agreement with the City of Granite Falls

WHEREAS, the City of Granite Falls (“Granite Falls”) requires a high quality, reliable water supply in order to serve its current and future retail water service customers, and the availability of such a water supply to Granite Falls is an integral component of the long-term comprehensive water plans of Granite Falls, Snohomish County (the “County”) and Public Utility District No. 1 of Snohomish County (the “District”); and

WHEREAS, the District has transmission pipelines, associated facilities, and water capacity sufficient to supply the projected requirements of the Granite Falls Urban Growth Area, as described in the Granite Falls 2005 Comprehensive Plan, over the course of the next 20 years; and

WHEREAS, Granite Falls wishes to purchase water from the District on a wholesale basis for resale by Granite Falls to its water utility customers; and

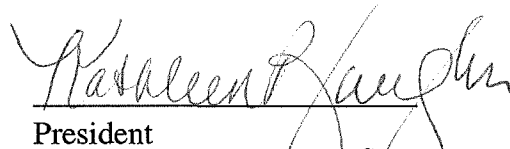
WHEREAS, District staff have prepared and negotiated with representatives of Granite Falls, and recommend that the District enter into, a Wholesale Water Agreement (the “Agreement”) in the form attached hereto as Exhibit A, providing for the sale of water by the District to Granite Falls on a wholesale basis through December 31, 2026; and

WHEREAS, the Agreement may continue after December 31, 2026, unless terminated by mutual agreement or upon five-year written notice by either party; and

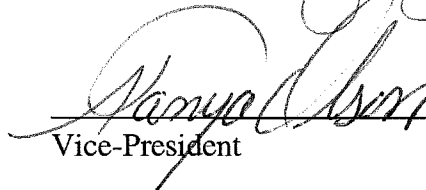
WHEREAS, based upon staff recommendation, the Board of Commissioners believes that it is in the best interests of the District and its ratepayers for the District to sell water to Granite Falls on the terms and subject to the conditions set forth in the Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Public Utility District No. 1 of Snohomish County hereby approves the sale of water by the District to the City of Granite Falls on a wholesale basis, on the terms and subject to the conditions set forth in the Wholesale Water Agreement prepared and negotiated by District staff and set forth in Exhibit A hereto, and hereby authorizes the General Manager of the District to execute, in the name and on behalf of the District, such Wholesale Water Agreement in substantially the form set forth in Exhibit A hereto.

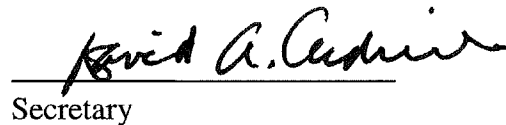
PASSED AND APPROVED this 17th day of November, 2009



President



Vice-President



Secretary

WHOLESALE WATER AGREEMENT

THIS AGREEMENT is made and entered into this 8th day of Oct., 2009, by and between the Public Utility District No. 1 of Snohomish County, herein referred to as "the District," and the City of Granite Falls, herein referred to as "the City," and collectively referred to herein as "Parties."

WHEREAS, the City and District previously entered into a wholesale water agreement on April 1, 1996; and

WHEREAS, high quality, dependable water supply is important to serve the City's water service customers and to accomplish goals of the long-term comprehensive plans of the City, District, and Snohomish County; and

WHEREAS, the North Snohomish County Coordinated Water System Plan ("CWSP"), prepared jointly by the State, Snohomish County, and public water purveyors, identified water supply and quality issues in the Greater Granite Falls Area and recommended construction of a District-sponsored regional water project to supply City of Everett treated water to such Area; and

WHEREAS, in response to the CWSP, and after consultation with citizens, City, State, and Snohomish County officials and public water systems in the Greater Granite Falls Area, the District constructed the Granite Falls Regional Water Supply Project in 1995, herein referred to as the "Project." The Project and associated facilities currently include water transmission pipelines, pump stations and storage with sufficient capacity to supply water for the anticipated 20-year population growth of the Granite Falls Urban Growth Area as described in the 2005 Granite Falls Comprehensive Plan; and

WHEREAS, the Parties understand that a number of changes have occurred since the Agreement was entered into in April 1996, including but not limited to the installation of additional hydrants, conversion of City retail customers on failing or substandard City pipelines to Direct Service Customers served from District mains, and the determination to emphasize providing service from a City main and limit future additions of Direct Service Customers; and

WHEREAS, the Parties agree that such changes warrant and necessitate substantial modifications to the 1996 Agreement; and

WHEREAS, the 1996 Agreement provides for termination with mutual agreement in accordance with Section 14; and

WHEREAS, the Parties mutually desire to terminate the 1996 Agreement and replace it with a new Agreement; and

WHEREAS, the Parties agree it is in the best public interest to do so; and

WHEREAS, the City wishes to continue to purchase water wholesale from the District for resale by the City to its water utility customers, and the District is willing to sell water wholesale to the City for resale, under the terms of this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND BENEFITS HEREIN, THE PARTIES AGREE AS FOLLOWS:

Section 1. Definition of Terms.

As used in this Agreement, the following words and phrases shall have the meanings indicated below unless the context shall clearly indicate that another meaning is intended.

- a) Cubic Foot shall mean a unit of measurement of water equal to 7.48 gallons.
- b) Direct Service Customer shall mean those City retail customers who are billed for water service by the City but who are served with water via a water service directly connected to a District main. The District shall own, operate, locate, inspect, and maintain, at its sole cost and expense, all Direct Service Customer facilities from the main to the water meter.
- c) Distribution System Charge – The Distribution System Charge (“DSC”) is assessed to compensate for costs the District and its existing customers have paid to

install the system's existing local distribution network, or for the costs of installing new distribution lines required to support the addition of the new customers. The DSC applies to each new Direct Service Customer connecting to a District-owned water main when such Direct Service Customer has not contributed to the cost of the water main either through an LUD assessment, other charge imposed by District policy, or through purchase of an individual parcel specifically for which the water main extension was originally installed. The DSC charge shall be applied per the District's Policies Manual.

d) Equivalent Residential Unit ("ERU") shall mean the volume of water demand and use deemed and agreed by the District and the City to be characteristic of a single family residential unit, and, notwithstanding any provision to the contrary in the District's Policies Manual, shall equal an average water consumption of 800 cubic feet per month. A single family residential unit shall include, for example, but not be limited to, an apartment unit, a condominium unit, a single family house, and/or each discrete living unit of a multiplex residential structure. ERUs applicable to non-residential water users shall be as established in Appendix B of the District's Policies Manual.

e) General Facilities Charge ("GFC") shall be that charge levied per ERU for a customer's hook up to the City's water system, representing a proportionate share of the cost of providing the additional source, storage, and transmission components necessary to provide service to the new customers. The GFC charge shall be applied per Appendix B of the District's Policies Manual.

f) Granite Falls City Limits shall mean that area within the established city limits of the City of Granite Falls at the time of execution of this Agreement plus any real property which becomes annexed to the City during the term hereof.

g) May shall mean permissive.

h) Master Meter shall mean the water volume measuring device and appurtenances placed in the District's water main at its points of connection with the City's water system. There are four existing master meters as shown in Exhibit 1. They are located at the intersection of Stanley Street and Alder Avenue, the intersection of Stanley Street and Portage Avenue, the intersection of Jordan Road and Saratoga Street and at the west entrance to the Granite Falls High School on Burn Road. Master Meter sites constitute the location of each of the points of delivery between the District's water system and the City's water system. Additional master meters may be installed in the future at such mutually agreed to locations as are reasonably necessary to enhance the City's water system hydraulics. The Master Meters shall be owned and maintained by the District, provided, however, that all costs associated with the installation of a new Master Meter and appurtenances shall be borne solely by the City or its agent.

i) Policies Manual shall mean the current version of the District's *Policies and Procedures Manual for the Administration of Water Services*, as that Manual is amended from time to time.

j) Project shall mean the Granite Falls Regional Water Supply Project which includes pumping, transmission, and storage facilities, as shown on Exhibit 1.

k) Retail Water Service Area shall mean that respective territory within which a particular water utility provides exclusive or predominant retail water service for residential, commercial, or industrial water consumers. The City's Retail Water Service Area includes the City's existing retail customers inside the Granite Falls City Limits. It is anticipated that the City's Retail Water Service Area will expand over time. However, for purposes of this Agreement, the City's Retail Water Service Area shall not exceed the Granite Falls Urban Growth Area ("UGA"); as established in the City of Granite Falls 2005 Comprehensive Plan and shown in Exhibit 1, without mutual agreement of the parties to this Agreement. It is understood and agreed that the District now serves, and from time-to-time may add, District retail water customers within the Granite Falls UGA.

To the extent the Granite Falls City Limits expand so that its boundaries include such customers, they shall be transferred to City water mains and become retail water customers of the City. If a City water main is not available to serve these customers, they shall remain District customers. When a City main capable of serving the customer(s) is installed, the customer shall be transferred to the City water main and the District's service line and appurtenances shall be abandoned per District standards. All costs associated with the transfer of service and abandonment of the District service shall be borne by the City. Such transfers shall not be subject to an additional GFC or DSC payment to the District.

l) Service Meter shall mean the water volume measuring device and appurtenances connecting an individual retail water service customer directly to either the City's or the District's water main.

m) Shall shall mean mandatory.

Section 2. Wholesale Water Rate, Other Charges and Billing.

a) Wholesale Rate - The wholesale water rate to be paid by the City to the District shall be per 100 cubic feet ("CCF") of water delivered to the City at the Master Meters, and shall be subject to adjustment from time to time by the District's Board of Commissioners and as provided herein. The rate shall be based upon the cost to the District for water supplied and sold to the City under this Agreement, per 100 cubic feet. The rate in effect at the time this Agreement is executed is set forth in Exhibit 2.

b) Wholesale Rate Adjustments - The wholesale water rate per 100 cubic feet may be adjusted by the District's Board of Commissioners from time to time. Future adjustments to the Wholesale Water Rate shall be set forth in the District's Policies Manual. The District reserves the right to alter the rate components and calculations of the Wholesale Water Rate if needed, and shall provide notice to the City of the proposed alteration in accordance with Section 2(e).

Notwithstanding anything else to the contrary herein, should the purchase cost to

the District's Water Utility of water and/or electricity be increased or decreased at any time during the term of this Agreement, such change in cost per 100 cubic feet of water shall be reflected by a corresponding equal increase or decrease in the Wholesale Water Rate, effective upon the date such change becomes applicable to the District's Water Utility. The District shall provide notice to the City of the increase or decrease in the Wholesale Water Rate in accordance with Section 2(e).

c) Billing Period - The period of billing for water supplied under this Agreement shall be monthly for the Master Meters and bi-monthly for the Direct Service Customers. The Master Meters shall be read by the District and the results recorded near the last work day of each month. Billing to the City will be issued on or before the 10th day of each month following reading of the Master Meters. The City shall pay to the District the wholesale water charge per CCF as described above, and payment to the District shall become due within 30 days of issuance of the billing invoice. A payment shall be deemed delinquent if more than 10 days past due. Delinquent wholesale water charge amounts shall accrue interest on the unpaid balance, from the date of delinquency until paid, at the rate of 1% per month or 12% per year.

d) Direct Service Customers – The District shall read all Direct Service Customer meters and bill the City at the established wholesale rate for each service on a bi-monthly basis. The City shall be responsible for payment of the total amount due, regardless of its ability to collect payment from its retail customers. If the District notices a higher than normal meter reading, the City will be notified per the normal District process; however, no credit for leak adjustments will be allowed for the Direct Service Customers. The City shall be responsible for billing the Direct Service Customers at its retail rate, and shall be responsible for customer inquiries and complaints, and notification of water quality events or issues. After ten (10) years from the Effective Date of this Agreement, any remaining Direct Service Customers shall become District retail customers and the City will no longer bill those customers. Direct Service Customers may be transferred to City water mains at any time prior to the ten (10) year

cut off date referred to above, at no cost to the District, and upon such transfer shall become City customers. All new Direct Service Customers shall be subject to the appropriate DSC and customer service related charges as defined in the District's Policies Manual.

e) Review of Rate Changes. The District shall provide to the City documentation to support any proposed change in the Wholesale Water Rate. The City shall have the opportunity to comment on any proposed change. The District shall provide the City a minimum of 45 days' notice prior to implementation of any proposed change to the Wholesale Water Rates.

The District agrees that the City's wholesale water rate shall never be higher than the commodity charge component of the District's Retail Water Rate to its residential customers.

f) Other Charges. All applicable customer service fees (shut off, turn on fees, etc.) associated with a Direct Service Customer shall be billed to the City per the District's Policies Manual.

Section 3. General Facilities Charge and Distribution System Charge

a) The District's GFC and DSC for residential and non-residential connections to the City's water system shall be consistent with the District's Policies Manual - Appendix B. Payment of the applicable DSC shall only apply to City Direct Service customers who utilize the District's water mains. The District shall provide the City a minimum of 30 days' notice prior to implementation of any proposed change in the GFC or DSC.

b) As the City adds new water service customers after the effective date of this Agreement, the City shall pay to the District the District's applicable GFC for each new water service customer connection to the City's water system. The City shall pay to the District any applicable GFC and DSC and meter installation costs in advance of the

installation of a new Direct Service Connection. The number of ERUs applicable to each new water service customer connection shall be determined as indicated in the District's Policies Manual - Appendix B. On the 10th day of each month following the Effective Date of this Agreement, the City shall make a report to the District on the number of new water service customers and their ERU classification as defined in District's Policies Manual - Appendix B for the preceding month. The City shall submit payment of the appropriate new customer GFC amount to the District on the 10th day of each month along with the report.

Section 4. Master Meters

All water supply delivered by the District to the City shall be delivered and measured through Master Meters. The City shall be responsible for constructing all connections between the City's water system and each "point of delivery" to its water system.

Access to the Master Meters and appurtenances, including any flow or pressure trends from the District's SCADA system, shall be made available to the City at all reasonable times. The Master Meters shall be checked by the District for accuracy periodically after installation or up to once per year as requested by the City, as part of normal maintenance, and Master Meter test data shall be available to the City at all reasonable times, upon request.

Section 5. Water Quality

The water supplied by the District to the City under this Agreement shall meet all state and federal drinking water standards at the points of delivery to the City and shall be of the same standard and quality as that normally delivered by the District to its retail customers. Provided, that the City, to the extent allowed by law, shall be responsible for maintaining water quality beyond the points of delivery, and the City shall be liable for any claims, losses, or damages arising from or relating to the introduction into its system of water or other substances beyond the points of delivery.

The District shall be responsible for all initial and subsequent cross connection inspections on the Direct Service Customer connections. If a backflow prevention assembly is deemed necessary for the adequate protection of the District's water system, the City will be notified and will be responsible for notifying its customer of the requirement. District staff will send out annual notification to the City for testing of any backflow prevention assemblies associated with a Direct Service Customer. The City will be responsible for notifying its customer of the testing requirement and forwarding all test results back to the District. Failure to install the appropriate backflow prevention assembly or complete the necessary annual testing shall result in the termination of service. The District shall identify the time table for termination. If the City does not terminate the service within that time frame, the District will terminate the service at the City's expense. The City shall immediately notify the District if it is aware of a change of use of any existing or proposed Direct Service Customer connection that may lead to a potentially higher risk category and require either the installation of a new or different backflow prevention assembly.

Section 6. Quantity, Pressure and Reliability.

a) The District shall in good faith make reasonable efforts to provide water to the City at hydraulic grade line elevations between 716 and 726 feet above mean sea level at the Master Meter connections. The Project has sufficient storage and hydraulic capacity to supply the City's average and typical peak demands, including fire flows, of up to 3,000 gallons per minute (gpm) total through the combined Master Meters for a two (2) hour duration.

Exceptional peak demands, as may be associated with industrial users with large peaking factors or fire flow requirements exceeding 3,000 gpm, may require modification to the Project, and/or the Wholesale Water Rate and components described in Section 2(b).

The Project is designed to provide sufficient source, transmission storage and hydraulic capacity to meet the applicable requirements of Chapter 246-290WAC and the

Washington State Department of Health's ("DOH") Water System Design Manual dated August 2001.

b) It shall be the responsibility of the City to install and maintain such control valves and appurtenances in its City system as may be needed to regulate the pressure to conform to the needs of the City's distribution system and its water service customers.

c) The Project was designed and will be maintained and operated by the District in a manner consistent with municipal water system standards and applicable rules and regulations in order to provide maximum service reliability to the City. However, it is understood and agreed that the District can make no guarantee as to pressure, quantity, or continuity of service because of the possibility of accidents or unforeseen failures to the District's, or City of Everett's water systems. Therefore, the District shall not be held liable for losses or damage from a deficiency or failure to supply water due to accidents, acts of God, and any conditions beyond the reasonable control of the District. In the event of an emergency or other necessity that may disrupt service to the City, the District shall immediately notify the City through verbal or telephone contact, and shall restore service and make water available as soon as it can reasonably do so.

In the event of scheduled maintenance, alterations, extensions, or connections, the District shall provide advance written notification to the City, and schedule such work to minimize the potential disruption of service to the City. The City is responsible for notifying its customers of any disruptions in service.

Section 7. Use of City's Existing Wells

The City owns a number of wells that have been physically disconnected from the City's water distribution system. The City intends to retain its existing wells and water rights for non-potable use. If in the future the City chooses to reactivate its wells with the intention of supplementing the District supplied source or providing an emergency/backup water supply, the City agrees that prior to such action, it shall at its

own cost and expense, install DOH-approved backflow prevention measures between the District's Master Meter connections and the City's distribution system.

Section 8. Service Area Boundaries and Transfer of Customers

Except as specifically provided otherwise herein, the City shall retain its responsibility as the retail water purveyor within the City Limits.

The Granite Falls City Limits includes locations where the City does not currently have a distribution system capable of providing service, and where the City may determine it would be more convenient and economical for the City to supply its retail water service customers directly from the District's water transmission system. Such customers shall be deemed "Direct Service Customers" as defined in Section 1(b).

The City and the District agree to work together to limit the addition of such Direct Service Customers. Direct Service Customers shall be allowed to be added only if the City recommends such a connection and the District agrees it is unreasonable to provide service from a City main.

The parties agree that, where existing Direct Service Customers are served by City-owned meters, and the service is not one that is to be transferred to a City main, the meter must be changed to a District-owned meter. As of January 2009, there are approximately 73 Direct Service Customers. Upon and after the Effective Date of this Agreement, the City and District staff will work cooperatively to locate and transfer the ownership of the existing Direct Service Customer meters from the City to the District. All physical costs associated with the transfer of ownership and replacement of meters (if necessary) shall be borne by the District. Meters that do not meet District standards will be returned to the City for re-use or salvage. The transfer of Direct Service Customer meters from the City to the District should be completed within one year of execution of this agreement.

Where the District provides service to Direct Service Customers, the District shall, in its sole discretion and at its option, perform and/or inspect all work associated with the excavation, tapping, backfilling, and restoration of the Project's pipelines, and all such work shall be performed in accordance with District standards. The District's actual cost of any such work shall be paid by the City.

District retail water service customers connected to the District's facilities within the City of Granite Falls UGA shall be transferred to the City upon annexation into the City if a City main is available for transfer of customers. Such transfers are not subject to additional District GFC or DSC charges. The records and service responsibility transfer shall be at no cost to either party; however, the service connection transfer to the City's water distribution lines if deemed necessary by the City shall be performed by the City, under the District's general supervision, and at the City's cost. Where an existing Direct Service Connection is to be abandoned, abandonment shall be done per District standards under the District's general supervision, and at the City's cost including but not limited to any applicable inspection costs. In the event that customers being transferred have financed their GFC and other applicable costs by the formation of a District LUD, then those payments by the customer shall continue to be paid to the District until the obligation is satisfied.

Section 9. Fire Hydrants Within City's Service Area

The District's system currently includes fire hydrants within the City's service area. Future hydrants on PUD water mains within the City's UGA will be per District standards. Spacing and placement of those hydrants shall be as required by the City's Public Works standards and policies. The District reserves the right to impose additional charges for hydrants if required by law.

Section 10. Construction Standards and Permit Fees for Granite Falls Project within City Rights-of-Way

Within the City's rights-of-way, construction and surface restoration of the Project and subsequent connections and repairs shall be accomplished in accordance with the City's Public Works standards, or applicable portions of the Snohomish County Road Standards. The City agrees to charge, and the District agrees to pay, the City's normal and accustomed permit fees for utility construction and repair within City rights-of-way.

Section 11. Conversion of Existing District or City Customers

Should an existing City retail water service customer outside the Granite Falls UGA be converted from service via a City line to a service connection with a District water transmission line, the City shall pay for actual costs of the service connection conversion to be performed by the District, and such customer shall, upon completion of the conversion, become a permanent retail water service customer of the District. No additional GFC charge will be levied; however the District's DSC charge would apply per the District's Policies Manual.

Section 12. Resolution of Disputes

The Parties agree to engage in informal dispute resolution prior to commencing litigation to resolve a dispute arising under this Agreement. To initiate such informal dispute resolution, each Party agrees that it will provide the other with a written notice describing the dispute. Thereafter, the Parties may elect to submit any disputes to binding arbitration, or to any other alternative dispute resolution measure agreeable to both Parties. Each Party agrees to bear its own costs, and any common costs of arbitration or alternative dispute resolution measure shall be borne equally by the Parties. To the extent not resolved by an alternative dispute mechanism, disputes shall be resolved by application to the Superior Court of the State of Washington, with venue in Snohomish County. This contract shall be enforced and interpreted in accordance with the laws of the United States and the State of Washington. The prevailing party in

any dispute which proceeds to judgment in Superior Court shall be entitled to reasonable attorney fees and costs.

Section 13. Term and Notices

This Agreement shall be effective from the date of execution by authorized representatives of both parties hereto (the "Effective Date") and shall continue in effect through December 31, 2026. The Parties further agree that this Agreement may continue after December 31, 2026 unless terminated by mutual agreement or upon 5-year written notice by either Party.

This Agreement may be amended at any time upon mutual written agreement of the parties, approved by their respective governing board or council. Any notices required to be given under this Agreement shall be given by certified mail to the official mailing address of each party. The effective date of any notice given shall be deemed three working days from the date of deposit in the U.S. mail, with proper postage affixed.

Section 14. Exhibits

Exhibits referred to throughout this Agreement are attached hereto and incorporated herein as though fully set forth at each reference.

Section 15. Termination of Previous Agreement

Upon the Effective Date of this Agreement, the 1996 Wholesale Water Agreement executed by the Parties on April 1, 1996 is hereby terminated by mutual agreement, and shall have no further force or effect.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed:

Public Utility District No. 1
of Snohomish County

By: _____
Steve Klein, General Manager

Date: _____

CITY OF GRANITE FALLS

By: *Lyle Romack*
Lyle Romack, Mayor

By: *Paula Reese*
City Clerk

Date: *Oct 8, 2009*

APPROVED AS TO FORM:

Public Utility District No. 1
of Snohomish County

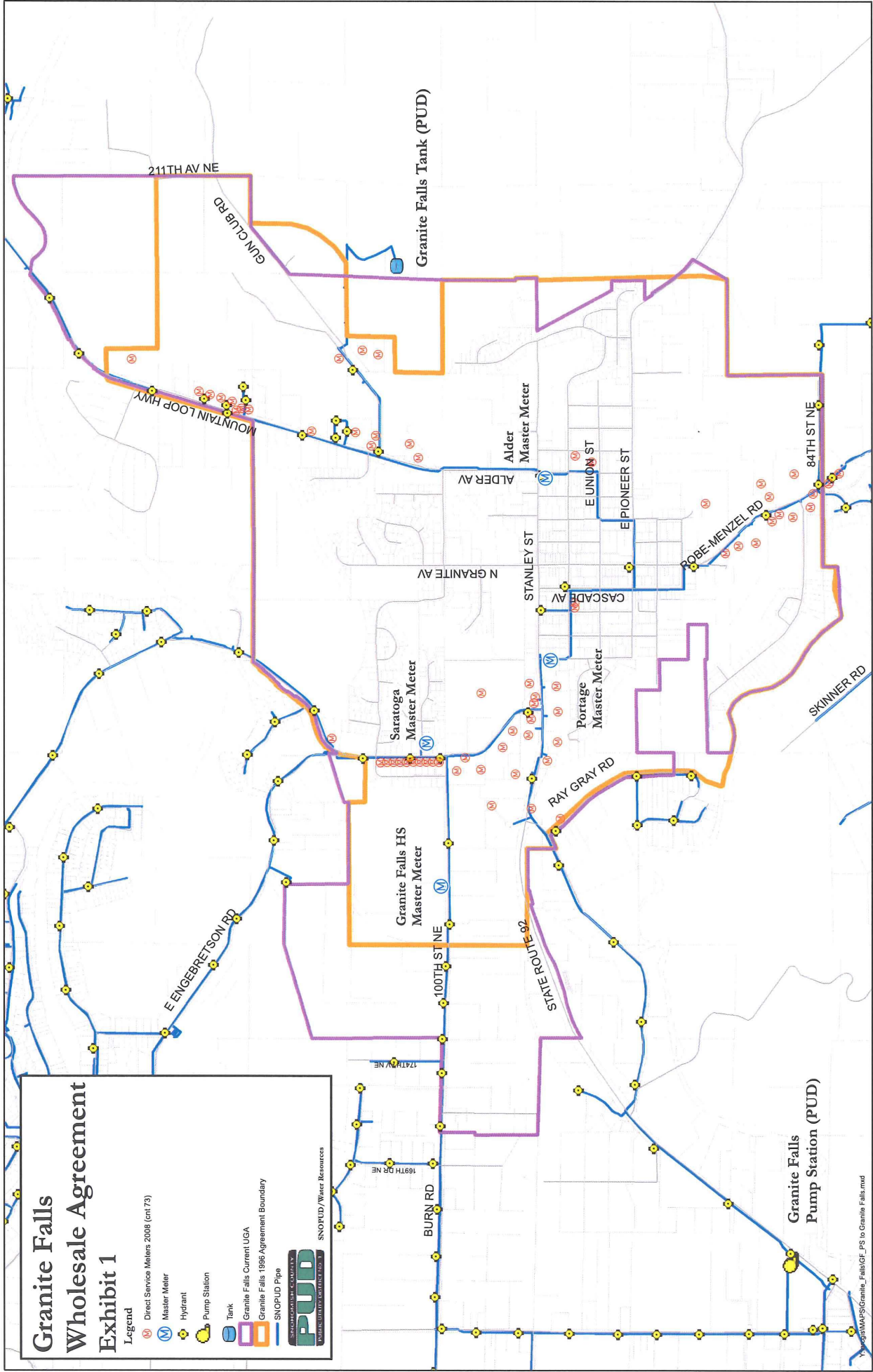
APPROVED AS TO FORM:

Chris D. Kuntz
City of Granite Falls
City Attorney

Exhibit 1 – see attached pdf

Granite Falls Wholesale Agreement Exhibit 1

- Legend**
- Direct Service Meters 2006 (cont 73)
 - Master Meter
 - Hydrant
 - Pump Station
 - Tank
 - Granite Falls Current UGA
 - Granite Falls 1996 Agreement Boundary
 - SNO-PUD Pipe
- PUD**
SNO-PUD/Water Resources



Granite Falls Pump Station (PUD)

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Exhibit 2

DISTRICT WHOLESALE RATE FORMULA FOR GRANITE FALLS
(as of Effective Date of Agreement and until superseded)

| WHOLESALE WATER RATE COMPONENTS | COST BASED ON 12/31/2008 FINANCIAL STATEMENT |
|---------------------------------|--|
| Supply (1) | \$0.718 per CCF |
| Pumping (2) | \$0.269 per CCF |
| Conveyance (3) | \$0.022 per CCF |
| Administrative (4) | \$0.091 per CCF |
| Depreciation (5) | \$0.040 per CCF |
| TOTAL | \$1.140 per CCF |

The costs for 1-5 are based on the District's 12-month average costs ending 12/31/2008.

Future adjustments to the Wholesale Water Rate will be set forth in the District's Policies Manual, and are anticipated to be based upon the average cost of the preceding year for each of the wholesale cost components as described in items 1 through 5 below.

1. Average Cost for all water purchased from Everett, JOA or Marysville for the preceding year and adjusted for any rate increase from Everett, JOA or Marysville when they occur.
2. Total pumping costs for the preceding year, times two, divided by the total cubic feet pumped. Cost adjusted for electric rate increases when they occur.
3. Total transmission and distribution costs for the preceding year times the ratio of pipe necessary to serve the City (the length of pipe used to transport and distribute water to the City divided the total length of 6" or larger pipe in the PUD's system) divided by the total water purchased from Everett, JOA and Marysville.
4. Nine percent of supply, pumping and conveyance costs.
5. Total District water system depreciation for the preceding year times the ratio of pipe necessary to serve the City (the length of pipe used to transport and distribute water to the City divided the total length of 6" or larger pipe in the PUD's system) divided by the total water purchased from Everett, JOA and Marysville.

However, the District reserves the right to alter the rate components and calculations of the Wholesale Water Rate if needed to address District costs. The District will consult with the City prior to making its determination on any such alterations. In addition, Notwithstanding anything else to the contrary herein or in the District's Policies Manual, should the purchase cost to the District's Water Utility of water and/or electricity be increased or decreased at any time during the term of this Agreement, such change in cost per 100 cubic feet of water shall be reflected by a corresponding equal increase or decrease in the Wholesale Water Rate, effective upon the date such change becomes applicable to the District's Water Utility.

RESOLUTION NO. 5484

A RESOLUTION Amending District Water Utility Policies
and Establishing Certain Charges for Water Utility Service

WHEREAS, the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington (the "District"), from time to time, has adopted, reviewed and amended its Water Utility Policies and Charges for its water system to accommodate changing circumstances and District needs, and to improve customer service; and

WHEREAS, the District has full and exclusive authority under RCW 54.16.030 to regulate and control the use, distribution and price of its water utility services, and has the power and obligation under RCW 54.24.080, to establish, maintain, and collect rates or charges for water and other services supplied by the District which shall be fair, nondiscriminatory, and adequate to provide revenues sufficient for payment of its lawful obligations to fund its planned improvements, and to provide quality water service to its existing and new water service customers; and

WHEREAS, Resolution No. 4848-J delegates to the District's General Manager broad authority to establish certain policies and regulations relating to water service, but reserves in the District's Commission the authority to establish the general terms, conditions and policies for water service provided by the District as set forth in Section 2; and the rates, charges, and fees set forth in Appendix B of the District's Policies and Procedures Manual for Administration of Water Services, as it may be amended from time to time; and

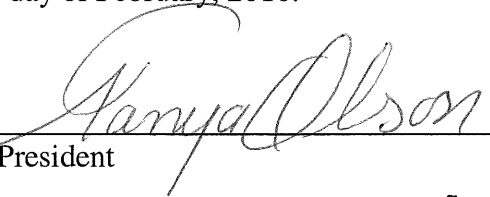
WHEREAS, having considered the information provided and the recommendation of staff, the Commission finds the proposed revisions to the District's Water Utility Policies and to its Fee Schedules as set forth in the attached Exhibits "A," "B," "C," and "D" are reasonable and appropriate, and in the best interests of the District and its customers.

NOW, THEREFORE BE IT RESOLVED by the Board of Commissioners of Public Utility District No. 1 of Snohomish County, as follows:

Section 1. Effective March 1, 2010, Sections 2 and 3 of the District's Policies and Procedures Manual for Administration of Water Services shall be amended as described in Exhibits "A" and "B," respectively; and the District's Water Utility System Miscellaneous Fees, Tables B-10 and B-11, shall be amended as described in Exhibits "C" and "D." Each of such Exhibits is incorporated herein by this reference.

Section 2. Except as expressly modified hereby, Resolution Nos. 4848-J and 4860 shall remain in full force and effect.

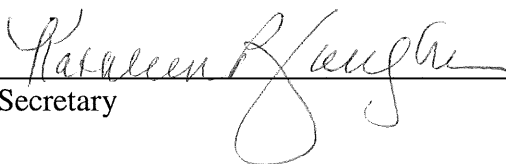
PASSED AND APPROVED this 16th day of February, 2010.



President



Vice President



Secretary

Section 2
General Terms, Conditions,
and Policies for Water Service

Section 2

General Terms, Conditions, and Policies for Water Service

2.1 General Provisions

2.1.1 Scope

Section 2 of this Policies and Procedures Manual provides the General Terms, Conditions, and Policies for furnishing and receiving water service. These terms, conditions and policies are a part of all proposals, offers, agreements, and contracts for furnishing and receiving water service relating to the District. A copy of this document shall be available for public inspection during regular District business hours in the District's Headquarters Building at 2320 California Street in Everett, WA and at the District's Water Operations Facility at 3301 Old Hartford Road, Lake Stevens, WA.

2.2 Initiating and Terminating Service

2.2.1 Service Application or Contract

- (a) Each New Customer desiring water service must make application, furnish proof of identity as required by federal regulation within a reasonable timeframe, and may be required to sign an application form or contract prior to service connection.

Application for water service may be made at the District's Headquarters Building at 2320 California Street, Everett or at the District's Water Operations Facility at 3301 Old Hartford Road, Lake Stevens.

- (b) The District may, in some circumstances, accept application for service from a second party, with the understanding that the first party will sign an application within fifteen (15) days. Such second party shall be responsible for payment of services unless and until an appropriate written and signed service application is made by the first party and accepted by the District for the entire service period.

- (c) All new customers are to be informed, at the time of application, of connection fees and of any additional charges for services after regular service hours. Any claimed or actual failure to inform shall not, however, relieve the new customer of any such fees or charges.
- (d) Large industrial or commercial contracts may be written on a special form and shall contain such provisions and stipulations as may be necessary or desirable to protect the interests of both the District and customer.

2.2.2 Agreement

Acceptance of service by a customer, with or without a written application, creates a contract obligating the customer to pay current rates, comply with service requirements and regulations, and is conditioned upon the District's verification of the customer's identity.

2.2.3 Owner/Agent Agreement

A contract may be entered into by any owner of rental property for the provision of uninterrupted service to the premises between tenancies. The owner agrees to pay for water service charges during this period and until a tenant assumes responsibility for water service under these policies.

2.2.4 Initiation of Service

- (a) Service will be initiated when the customer has met all District requirements and submitted:

- Proper application.
- Valid service and mailing address(es).
- Payments as required on outstanding accounts.
-

- (b) When new installations, conversions or upgrades of District facilities are required to provide service, requirements will vary as follows:

Newly constructed or upgraded services will require appropriate evidence of state, city or county plumbing inspection.

The District may, at its option, require the presence of a responsible adult in the building at the time the water is turned on. If required, and arrangements are made to have such adult present at a predetermined time, and if such person is not present, the District, at its option, may charge a fee commensurate with that listed in the District's Schedule of Charges and Fees to arrange a subsequent time to turn on the water. Only assigned District personnel may initiate a water service connection.

2.2.5 Disconnection of Service

(a) Service may be disconnected for good cause, including (but not limited to):

- Violation of service requirements or regulations, rate schedules, contracts or plumbing codes.
- Failure to pay fees or deposits.
- Theft or illegal diversion of water.
- Customer system leaks of which the District becomes aware and which cause or may result in significant water loss and/or property damage.
- No one assumes responsibility for service.
- Failure to pay water charges when due.

The District may also refuse or disconnect water service used in a manner that is seriously detrimental to the service being rendered to other customers as further described in Sections 2.3.5 and 2.3.16.

(b) When disconnection occurs, the customer shall be advised in writing that service will be restored if the customer contacts the District and fulfills other requirements of RCW 54.16.285. In the customer's absence, the notice will be left on the premises.

(c) Disconnection of service does not release a customer from any obligation to the District.

- (d) Service will not be disconnected without a disconnect notice for non-payment of bills unless.
- No one has assumed responsibility to pay for the services, or
 - A check received for the payment of services after a disconnect notice has been given is dishonored.
- (f) While an appeal is pending, at the District's discretion, termination of service may be implemented by locking meter isolation valves or physical disconnection as the District may choose.

2.2.6 Reconnection

When service is disconnected for noncompliance with service requirements or regulations, nonpayment or fraudulent use, the service will not be reconnected until the situation is corrected to the District's satisfaction.

Before reconnection, the customer will be advised of current fees and charges for service restoration. (See Appendix B, Table B-10).

Only authorized District personnel may initiate and turn-on service to a water service connection. Appropriate charges, as specified in Appendix B, for turning on or reconnecting service will be assessed as applicable.

2.2.7 Termination of Service by a Customer

Except as may be otherwise provided for by a special contract or agreement with the District, when a change of occupancy or of legal responsibility takes place for water service to any premise being served by the District, the customer may terminate service by notification in person, by telephone or in writing to the District within a reasonable time prior to such change. The outgoing customer may be held responsible for all service supplied to the date notification is received by the District. The District reserves the right to read the meter(s) for a final bill within a one-week period from the date of notification to terminate, and such reading(s) may be adjusted for consumption, if any, used by subsequent customer(s). The final reading may be estimated by mutual consent of the customer and the District. Under some circumstances the District may, at its option, require written authorization from the customer paying for water service before discontinuing such water service.

2.3 Service and Equipment Requirements

2.3.1 Customer Facilities

- (a) Plumbing and Equipment: The customer shall install, own and maintain all plumbing and equipment beyond the delivery point, except meters and special facilities installed or furnished by the District. The customer's plumbing is to conform to:
- District's service requirements and regulations.
 - Applicable municipal, county or state requirements.
 - Accepted modern standards as set forth in the Uniform Plumbing Code.

2.3.2 Requirement of Adjacency to District Main

In order to be served by the District's water system, the customer's property must lie adjacent to a District water main. If the customer desires water service, and if the customer's property lies remote from a suitable District main, the customer shall be required to extend the main through or past his/her property and pay for all costs associated with the main extension.

The AGM of Water Resources, or his/her designee, shall have the authority to waive the requirement of adjacency to a District main when the District deems it to be in the best interests of the District to do so.

2.3.3 Placement of Service Equipment

- (a) It is preferable that water services not be over 300 feet from the meter to the point of use in order to maintain adequate pressure. Services over 300 feet in length are permitted; however, the District will not guarantee adequate pressure for these services.
- (b) The customer's service pipe shall be extended eighteen (18) inches beyond the meter. The water service pipe shall be installed at a location mutually agreeable between the District and customer. The District will install the meter, meter box, and tailpiece assembly.

Private service lines shall not cross other parcels, nor shall they be constructed in public rights-of-way or in private rights-of-way solely

dedicated to another property without the express approval of the AGM of Water Resources or his/her designee.

Evidence of permission to make such crossings shall be provided to the District at the time of application.

District and all necessary permits, easements or other authorization shall be obtained at customer expense.

2.3.4 Responsibility for Maintenance

The District is responsible for maintaining its facilities and equipment to the point of delivery. The customer owns and maintains equipment beyond the point of delivery. (See Subsection 1.8.11)

2.3.5 Safeguard of District Facilities

The customer shall provide space for, and exercise proper care to protect any of the District's facilities on the customer's premises. This shall include meters and other facilities installed by and remaining the property of the District. Any person knowingly and maliciously damaging or tampering with District meters and other equipment, reconnecting a previously disconnected meter for the purpose of restoring utility service or tampering with any District equipment with the intent of defrauding or illegally diverting utility service may be prosecuted by the District in accordance with Chapter 9A.56 RCW. In addition, in the event of unauthorized connection, and loss or damage to the District's property, the District may collect from the customer the charge for estimated unmetered water, the cost of facility repairs and replacement, administrative costs, attorneys' fees, and other costs authorized or awarded pursuant to RCW 80.28.240. The District shall also bill the customer for reasonable administrative costs that shall include all time and expense by District personnel to resolve the situation. This charge will be in addition to the charge for estimated unmetered water.

- (a) The District may refuse service or disconnect service to customers when conditions are known by the District to be defective or out of compliance with codes, regulations or requirements. The District is not liable for loss or damage to persons or property resulting from defects or negligence:

- By the customer beyond the point of delivery, or

- In the customer's installation, facilities, or equipment.
- (b) When an individual's action might endanger District property or interrupt water service, the District may direct a crew or serviceman to standby. Cost for this service may be charged to the party responsible for the situation.

Should loss or damage occur to District property, the responsible party may be charged for repair or replacement cost, administrative time and expense, and estimated loss of unmetered water. However, if a District employee is at the site and approves the method and work, the charge to the customer may be modified or waived.

2.3.6 Access to Premises

- (a) The customer is to provide District representatives with safe, clear access and entry to customer premises for service related work. The District's facilities must remain unobstructed and accessible at all reasonable times so the District may:
- Install, inspect, maintain or remove equipment or plumbing.
 - Read, connect, disconnect or inspect metering devices.
 - Inspect customer owned cross-connection control devices.
 - Inspect all customer water facilities to ensure there are no cross-connections. At any time a cross-connection is discovered, and it is not immediately remedied by the customer, the District reserves the right to terminate water service to the customer until such cross-connection is removed.
- (b) For locked District equipment, the customer will provide the District with an access key. When necessary for customer convenience, the District may install an accessible key box, for which the customer will be charged a standard fee.
- (c) The customer shall provide space and protection for District facilities on the customer's premises, including meters, and other equipment installed by and belonging to the District.

- (d) Although the customer is responsible at all times for maintaining customer-owned equipment, the District may inspect customer equipment before or after service connection.

However, such inspection, or lack of inspection, shall not be construed as placing upon the District any responsibility for the condition, or maintenance of the customer's plumbing; nor does it guarantee the absence of cross-connections in the customer's service.

2.3.7 Separate Service for Each Lot, Property, or Residence

Each lot, property, or residence will be required to have a separate water service, except as provided for in this subsection. Customers shall not extend a service line to an additional residence without the written consent of the District.

- (a) Each multi-family residential structure may be served by either a joint meter or individual meters for each unit, at the option of the property owner.
- (b) Commercial, industrial, institutional, or governmental customers with facilities occupying multiple lots or structures under a single ownership, may be served by either joint meters or individual meters for each structure, at the option of the owner.
- (c) Multi-tenant commercial, industrial, institutional, or governmental properties or structures may be served by either joint meters or individual meters for each tenant, at the option of the owner.
- (d) A single meter may serve multiple residential lots or properties if the District approved such an arrangement in advance and the customer has all necessary authorization to operate a public water system.
- (e) One meter may be used to provide water service to separate, non-rented, and primarily non-commercial structures on the same property, if they conform to applicable zoning and applicable county and/or city regulations.

If joint metering is used, the customer shall be the property owner. The property owner shall be responsible for the entire billing unless one tenant agrees in writing to assume the entire bill.

2.3.8 Multiple Meters

When a customer's service requires application of more than one rate schedule, one meter will be installed for each applied schedule. Each meter will be billed separately unless otherwise specified in a special contract.

The customer will be responsible for purchasing and installing any additional meters desired for customer purposes, and for placing such meters on the customer side of the District meter. Such meters shall be as approved in advance by the District, and shall be installed at the customer's sole expense, and in a manner and location as approved by the District.

The builder of a multiple-unit complex is required to permanently and accurately number meters and corresponding building units.

2.3.9 Meter Testing

The District will, at its own expense, inspect and test its meters as required to ensure a high standard of accuracy. Additional tests at the customer's request will be made; and if the meter is found to register within two (2) percent of accuracy, the District may charge a test fee (see Appendix B) for all such tests made at intervals more frequent than once in three (3) years. If the meter is found to register in excess of two (2) percent, fast or slow, the District will pay for the testing and will adjust the customer's billing for the known or assumed period of error, not to exceed the previous six (6) months.

2.3.10 Pressure Reducing Valves

Pressure reducing valves (PRVs) serve to protect customers' plumbing and appliances from damage due to high water pressure. A pressure reducing valve shall be installed when the District determines that water pressure at a service location exceeds 80 pounds per square inch (psi). The following conditions shall determine how the installation is performed:

- (a) For pressures greater than 80 psi, but not more than 120 psi, the customer may select one of the following options:
 - At the time the meter is installed, the District will install a PRV on the District side of the meter, for a one-time set fee (see Appendix B, Table B-1). After the PRV is installed, the District will be responsible for its maintenance, repair, and/or replacement at no

additional cost to the customer. However, if the customer does not request the District to install a PRV at the time of meter installation, and later requests the District to install a PRV, the full cost of installation will be charged to the customer, rather than the set fee.

- The customer may install his/her own PRV, or have a plumber install it, on the customer side of the meter, at the customer's expense. In this case, the property owner will be responsible for maintenance, repair or replacement.

(b) For pressures greater than 120 psi:

- At the time the meter is installed, the District will install a PRV on the District side of the meter, for a one-time set fee (see Appendix B, Table B-1). After the PRV is installed, the District will be responsible for its maintenance, repair, and/or replacement at no additional cost to the customer.

2.3.11 Booster Facilities

The District may boost service pressure via a customer-owned and maintained individual booster pump housed in a suitable location on the customer's property. This method of service shall only be considered in limited circumstances where: 1) a positive pressure of 30 psi cannot be provided during peak hourly design conditions; 2) a multiple customer booster facility is not feasible; and, 3) where the customer is located in close proximity to a storage reservoir that will provide positive pressure to the suction side of the individual booster during peak hourly demand flow and fire flow conditions. If these conditions are met, service shall be conditioned upon agreement to pay a Boosted Minimum Charge (see Appendix B, Table B-6) in addition to other applicable service charges. The property owner shall provide a suitable location, power supply, and suction/discharge piping in accordance with the District's Standards and Specifications. In addition, the customer shall sign a Boosted Service Agreement which outlines the terms and conditions of such service.

This section does not apply to design of water systems for new developments.

2.3.12 Cross-Connection Prevention

Cross-connections between the District's water service and any other source of water are prohibited, unless authorized by the District in combination with the use of a backflow-prevention assembly. Service connections and individual customer plumbing systems shall be constructed and maintained so as to prevent backflow of potentially contaminated water into a potable water system. The control or elimination of cross-connections shall be in accordance with the provisions of WAC 246-290-490, as modified from time to time.

The District reserves the right to inspect all customer water facilities to ensure that no cross-connections exist, in accordance with District policies on access to premises (see Section 2.3.6). At any time an unauthorized cross-connection is discovered and it is not immediately eliminated, that water service will be terminated until the cross-connection is eliminated.

2.3.13 Backflow-Prevention Assemblies

The District may, at its sole discretion, permit or require a customer to install a backflowprevention assembly on the customer's plumbing system or service connection. Customers required to install backflow-prevention assemblies include, but are not limited to, those who:

- (a) operate commercial or residential fire sprinkler systems connected to their plumbing;
- (b) operate an irrigation system connected to their plumbing;
- (c) maintain cross-connections of their water system with air-conditioning systems, medical equipment, or other devices or processes where chemicals, micro-organisms, or other objectionable substances may be drawn into the water system;
- (d) own or maintain systems that, in the judgment of the AGM of Water Resources or his/her designee, compromise the health and safety of other users of the District's water system.

The entire cost of installing a backflowprevention assembly shall be borne by the customer, and the assembly shall remain in the customer's ownership and as the customer's responsibility.

Periodic inspections and repairs of backflow-prevention assemblies, as required by WAC 246-290-490, shall be arranged by customers at their own expense, using firms or individuals who are licensed cross-connection control specialists. A signed copy of the inspector's completed report shall be provided to the District to confirm that assemblies are operating in a satisfactory manner.

Inadequate maintenance of a backflow-prevention assembly shall be grounds for termination of water service.

2.3.14 Relocation and Abandonment of Delivery Points

- (a) A customer's delivery point may be relocated at the customer's request, subject to advance payment of the estimated cost of relocating the District's service pipe, meter and other facilities, which includes a Meter Abandonment Fee to cover the cost of removing the existing meter connection and disconnect the service at the District's main and a Service Connection Charge for the installation of a new meter and other facilities or equipment necessary to connect to the District's main at the new location. These costs are described in Appendix B. The customer shall be responsible for relocation of the service line to the new location. The District will disconnect the old service at the meter and connect the new service.

The District may reduce the costs to be charged to the customer for relocating any of the District's facilities, as requested by the customer, to the extent that such relocations may benefit the District. In determining the amount of such reduction, the District will give consideration to the remaining physical life of facilities or equipment replaced, the improvement to the system operations, and any increased revenue that will accrue to the District as a result of such relocations.

- (b) An existing delivery point may be abandoned and removed at the customer's request. Abandonment typically occurs when a delivery point is relocated, but may also be requested where a customer wishes to remove redundant service points on the customer's property. Abandonment of a delivery point at the request of a customer is subject to advance payment of the estimated cost of removing the meter, the District's service pipe, and other facilities and to disconnect the service

at the District's main. The cost of abandonment is described in Appendix B as a Meter Abandonment Fee..

2.3.15 Resale

Customers may resell water only with prior, written District authorization. Rates charged may not exceed rates the District charges for similar service; provided that the prohibitions in this Section shall not apply when resale is pursuant to the terms of a valid wholesale agreement entered with the District.

2.3.16 System Disturbances

Water service shall not be utilized in such a manner as to cause severe disturbances or pressure fluctuations to other customers of the District. If any customer uses equipment that is detrimental to the service of other customers of the District, the District may require the customer to install, at his/her own expense, equipment to control such disturbances or fluctuations.

2.3.17 Freezing

It shall be the customer's responsibility to protect from freezing all piping, fixtures and appurtenances on the customer's side of the point of delivery. Any damage resulting from freezing shall be considered the responsibility of the customer.

2.3.18 Interruption of Service

- (a) It is the District's intent to provide adequate and continuous service with minimum interruption. However, the District:
- does not guarantee against occasional curtailment or failure of water service;
 - shall not be liable for resulting injury, loss, or damage; and
 - shall not be considered in breach of contract for temporary interruption of service.
- (b) Repairs or improvements to facilities requiring temporary service interruption occur occasionally. They will be expedited and timed to

minimize customer inconvenience. When possible, a preceding notice will be sent to the customer.

- (c) If the customer's water service fails, the customer shall endeavor to determine if the cause is on the District's side or the customer's side of the meter.

When the District responds to a customer call after service hours, and the problem is found to be with customer equipment, the District will make no repairs. The customer will be charged a set fee for such response. (See Appendix B, Table B-10)

2.3.19 Additional Water Supply

A customer desiring a District change in the capacity of its service connection and meter to supply increased quantities of water shall notify the District sufficiently in advance so that the District may, if determined by it to be economically feasible, provide the facilities required to supply increased quantities of water. The customer shall pay in advance the cost of any such facilities.

2.3.20 District Representation by Employees

Except as specifically authorized in these policies and regulations, no promise, agreement or representation of any employee or agent of the District, with reference to the furnishing of water service by the District, shall be binding on the District, and in no event shall the same be binding on the District unless the same shall be in writing signed by the Assistant General Manager or his/her designee.

No inspector, agent or employee of the District may ask, demand, receive or accept any personal compensation for any service rendered to a customer in connection with supplying or furnishing water service by the District.

2.4 Meter Reading, Billing, Payment and Collections

2.4.1 Meter Reading

- (a) Meters will be read on monthly or bimonthly cycles at District option, and routinely at regular intervals within a five-day variance. The District may alter or reroute its meter reading and billing cycle dates when such alteration or rerouting is in the best interest of the District.
- (b) Opening or closing readings may be prorated.
- (c) Special meters may be installed on any account when the nature of the customer's equipment and operation so indicates for correct rate schedule application and/or customer service improvement.

2.4.2 Multiple Delivery Points

The rates of the District are based upon the supply of service to the entire premises through a single delivery and metering point. Separate supply for the same customer at other points will be separately metered and billed. Unless otherwise specified in a contract, the District will not totalize metering of separate points of supply or services.

2.4.3 Billing

Bills will be sent to the mailing address furnished by the customer. Failure to receive a bill will not release the customer from the obligation to pay for services provided in a timely manner.

Bills will be issued monthly or bimonthly, depending on the reading cycle and assigned payment plan and generally will be based on exact meter readings. Bills may be estimated when:

- Meter is not accessible to meter reader;
- Meter is under snow or water;
- Meter malfunctions;
- Other circumstances beyond District control interfere with meter reading.

In the event that bills are estimated, an adjustment will be made at the time of the next regular billing that is based on an actual meter reading.

The District will send bills and notices by first class mail. A customer who does not provide a proper mailing address or a means of receiving mail, may be subject to disconnection.

2.4.4 Payments

The customer's obligation to pay a bill accrues on the date the bill is issued. Payment is due by the due date on the bill. Payments will be considered made when received at the District office. Payments are to be accompanied by a billing remittance slip or account number.

2.4.5 Payment Plans

Customers will have an opportunity to keep water service accounts current through optional payment programs arranged through a customer service representative. Residential customers shall have the option of a budget billing payment plan.

2.4.6 Adjustments

Pursuant to Resolution No. 4860 adopted by the Snohomish PUD Board of Commissioners on July 13, 1999, certain Water Resources staff have authority to grant adjustments when it is demonstrated that the cost of continuing to deny the customer's request substantially exceeds the amount in dispute and results in reduced customer satisfaction.

Authority Levels:

| | |
|--|-----------------------------|
| AGM of Water Resources | Up to \$500 each occurrence |
| Sr. Mgr., Water Resources Administration | Up to \$100 each occurrence |
| Water Utility Specialist | Up to \$20 each occurrence |
| Water Utility Associate | Up to \$20 each occurrence |
| Water Utility Administrator | Up to \$20 each occurrence |
| Water Services Liaison | Up to \$20 each occurrence |

- (a) In the case of incorrect application of rates, stuck meters, or clerical errors, retroactive billings will be made for the previous six billings on

monthly-billed accounts, or three billings on bimonthly-billed accounts. In the case of billing to the wrong customer due to meter misidentification, adjustments will be made three years back.

A final balance (debit or credit) of less than one dollar may be routinely written off by the District. When it has been determined that a customer has received unmetered service or when the customer has caused the service furnished to be improperly or inaccurately metered, the District may render bills for such service based upon its reasonable estimate of the service actually furnished for the full period during which the service was unmetered or improperly metered, or as provided in Section 2.3.9. However, in those cases where the premises have been remodeled resulting in a situation whereby more than one customer is served by one meter, no adjustments will be made and the account customer of the premises shall be required to assume responsibility for the billing effective the last regular reading date unless another person agrees in writing to assume full responsibility for the billing.

- (b) A customer may be eligible for a water bill adjustment in the event of a loss of water through abnormal conditions when the cause is deemed by the District to have been undetectable and not resulting from a lack of normal maintenance by the customer. No adjustments shall be made in water charges for losses resulting from customer negligence, improper operation of plumbing by the customer, and/or failure of the customer's plumbing system. The section of service line qualifying for a potential leak adjustment is between the point of delivery at the meter box and the house or facility. Taps off the service line, and any leaks resulting from such taps (such as, but not limited to, irrigation, swimming pools, outdoor hose bibs), would not be eligible. The date that qualifies as "official notification" of a leak varies depending upon the circumstances.
 - (1) If a District employee identifies a potential leak, written notification will be mailed to the customer. A door hanger may also be left in a prominent place at the residence. The date of the letter will serve as the "official notification" date.

- (2) If the customer contacts the District regarding the possibility of a leak, a visit to the site address will be initiated. Upon verification of a qualifying leak, a letter will be mailed to the customer. The date of the letter will serve as the “official notification” date.

Once a leak has been identified, the customer will be provided with a ten (10) day period to conduct the repairs during which the adjustment period will continue.

The time period during which a customer could expect to receive an adjustment is from the “official notification” date back to the previous billing period and forward to include the ten (10) day period allotted for repair. Retroactive adjustments will not exceed the previous six (6) billings on monthly billed accounts or three (3) billings on bimonthly billed accounts.

The customer’s water account will be adjusted by 50 percent for the excess amount of water used during the eligible time frame.

The methodology for determining excess amount of water over normal consumption will be determined by the previous years’ history for an existing customer; an average use of 1,000 cubic feet per month will be used as the “normal use” base for new customers or customers without sufficient consumption history.

A customer is eligible for one leak adjustment per twelve (12) consecutive months, from the time of a previous leak adjustment. Additional adjustments may be provided if, in the District’s opinion, a good faith effort was made by the customer to repair the leak and new circumstances have caused further leaking.

The AGM of Water Resources or his/her designee will be responsible and accountable for authorizing adjustments.

No adjustment shall be made in the water billing that are caused by freezing.

2.4.7 Reminder Notices

Reminder notices will be sent on past due bimonthly accounts. An account is past due 15 days after billing date.

2.4.8 Disconnect Notices

- (a) Disconnect Notices for bimonthly accounts will be mailed no sooner than 15 days after Reminder Notices; and for monthly accounts 29 days after the original billing date. The notice will be for arrears only.
- (b) A brochure explaining credit, disconnect policies and customers' rights and remedies, will accompany each Disconnect Notice on all accounts.
- (c) A fee may be charged when a field collection call is required and no disconnection is made. (See Appendix B, Table B-10)
- (d) Disconnection will occur following the due date on the notice unless:
 - The delinquent payment has been received at a District office by the due date.
 - A deferred payment agreement has been reached.
 - The customer has appealed the action.
- (e) Exceptions: In certain instances, where health, safety or essential services would be otherwise jeopardized, or for purposes of economy, the District may withhold disconnect notices.

2.4.9 Collection

While considering individual customer needs, the District is obligated to make prudent collections. Reasonable collection methods will be used, including disconnection of service, collection agency assignment, or lawsuit

- (a) Undercharges/Overcharges: The District will, within one year after it becomes aware of undercharges/overcharges that are a result of its error, take action to collect/credit all amounts that were undercharged/overcharged during the three years prior to the date upon which the District became aware of the error, or back to the date of responsibility change, whichever is more recent. If the District fails to act during that one-year period, no collection action will be taken.

No action shall be taken to collect/credit any undercharges/overcharges resulting from District error, for water utility services that the District delivered more than three years before it became aware of that error.

- (b) **Payment for Undercharges:** A customer may pay amounts undercharged as a result of District error, without interest, in installments of approximately equal amounts during a period that is no longer than the period for which the customer is being charged for undercharged services. If a customer does not agree to pay for undercharged water utility services or, if having agreed fails to make payment, normal District collection practices will be followed.

2.4.10 Extenuating Circumstances

- (a) The District will pursue a solution with customers temporarily unable to pay on time due to extenuating circumstances. The availability and terms of a deferred payment plan will be based on a review of the individual customer's situation, including:
- Amount and age of delinquency.
 - Past payment record.
 - Ability to pay.
 - Demonstration of good faith.
- (b) Employees will give customers available information on other resources for assistance, when appropriate.
- (c) Service will not be terminated for inability to pay when termination would be especially dangerous to health of a resident, as determined by the District if the customer has made application to appropriate agencies for assistance and payment is pending.

2.4.11 Insolvent Accounts

If the District has reason to believe a customer to be insolvent, in financial difficulty or contemplating bankruptcy, appropriate action may be taken to secure payment of charges due. Requirements may include an adequate security deposit, altered payment schedule, or other actions deemed necessary and reasonable by the District.

2.4.12 Transfer of Unpaid Balances

A water service customer's previous unpaid balance may be transferred from one service address to another as part of the customer's current water service obligation and subject to the District's requirements for payment.

2.5 Dispute Resolution

2.5.1 Mandatory Hearing

Any customer or other person who believes that he/she has been adversely affected by a decision which the District has made to:

- (a) Terminate the delivery of water service (i.e., disconnect the customer);
or
- (b) Refuse to deliver water service (i.e., not connect the customer); or
- (c) Require the customer to pay for water service previously delivered (i.e., transfer an outstanding balance to a new water or electric account); or
- (d) Require the customer to make periodic payments in specific amounts to pay for water service previously delivered as a condition of receiving water service (i.e., require a payment plan); or
- (e) Require the customer to provide security as a condition of receiving water (i.e., require a security deposit); or,
- (f) Require the customer to pay a fee or penalty; (e.g., reconnection fee, account service fee, etc.);

has the right to have that decision reviewed in a hearing to be held by a District Hearing Officer.

2.5.2 Discretionary Hearing

The District may, at its discretion, with the approval of the General Manager or his/her designee, provide a hearing to any customer who believes he/she has been adversely affected by any decision of the District on any matter other than the decisions listed in Section 2.5.1.

2.5.3 Binding Decision

The decision of the Hearing Officer shall be final, unless either party elects to challenge the decision in a court of law.

2.5.4 Written Hearing Request

A request for a hearing must be made in writing signed by the customer or by someone with legal authority to act on the customer's behalf. Each hearing request must include a short and plain statement of both the decision to be reviewed and the relief which the customer is requesting. In addition, each hearing request must include an address to which notices, including notice of the hearing date and location, the decision of the Hearing Officer and any other written communications may be mailed to the customer.

2.5.5 Delivering Request for Mandatory Hearing

The customer's written request for a mandatory hearing must be delivered to the District's Office of General Counsel, Customer Services Division, or to the Senior Manager, Water Resources Administration. General Counsel's office is located in the Central Administrative Office Building, 2320 California Street, Everett, Washington. The Customer Services Division has offices in the Central Office Administrative Building and in each of the District's Area Offices. The Senior Manager, Water Resources Administration is located in the Central Administrative Office Building and at the Water Operations Facility, 3301 Old Hartford Road, Lake Stevens, Washington.

2.5.6 Delivering Request for Discretionary Hearing

If the District has informed the customer that it will provide a discretionary hearing, the customer's written request for a discretionary hearing must be delivered to the District's Office of General Counsel or to the office of the District official who agreed to provide the hearing.

2.5.7 Hearing Date

The Office of General Counsel will determine the date and time of the hearing, which shall be held at the District's Central Administrative Office Building within ten (10) business days after the hearing request is received in General Counsel's office: PROVIDED, that a hearing date will not be

established if the written hearing request does not include an address to which notices to the customer may be mailed or if the written hearing request is, in the opinion of the Office of General Counsel, otherwise materially deficient.

2.5.8 Notice of Hearing

The Office of General Counsel will mail notice of the hearing or, under the circumstances described in Section 2.5.7 above, notice that a hearing date will not be established by first class mail, postage prepaid, to the customer at the address set forth on the hearing request within three (3) business days after the hearing request is received in General Counsel's office.

2.5.9 District's Action Stayed Pending Receipt of Written Request for Hearing

If a customer:

- (a) Contacts the District within three (3) business days after receiving notification, whether written or oral, of a decision of the District; and
- (b) Is orally informed that the customer may have a hearing to review that decision; and
- (c) States, within one (1) business day after being informed that a hearing is available, that the customer intends to request a hearing;

then, as a result of the statement of intent, all District action which would be taken as a result of the decision shall be stayed until the written request for a hearing is received by the District or for a period of six (6) business days after the date upon which the customer orally stated that a hearing would be requested, whichever is earlier.

2.5.10 District's Action Stayed Pending Hearing

If the District receives a written request for a hearing within the time set forth in Section 2.5.9 above, all District action which would be taken as a result of the decision shall be stayed until Noon five (5) business days after the Hearing Officer's written decision on the matter is received by the Office of General Counsel: PROVIDED, that if a hearing date is not established for a reason set forth in Section 2.5.7, District action will not be stayed.

2.5.11 Security Deposit Pending Hearing

If a customer requests a hearing to dispute a debt for water service which exceeds \$1,000 and the customer wishes to receive water service until the hearing is held, the customer must provide security for the water service to be provided by the time the written request for a hearing is delivered to the District. The amount of security will be the amount of money that will reasonably accrue from the usage of water, based upon prior usage at the facility involved, from the date the customer orally informs the District that a hearing will be requested until thirty (30) days thereafter.

2.5.12 Performance Pending Hearing

All obligations, which are not the subject of the dispute to be decided by a Hearing Officer, shall be performed by the District and/or the customer. This shall include, in the case of a dispute over amounts to be paid, the payment of all non-disputed amounts.

2.5.13 Failure to Appear

If a customer fails to appear for a hearing within fifteen (15) minutes after the time set forth in the notice of hearing, the customer will be in default, and the Hearing Officer shall decide the disputed matter in favor of the District, and the customer shall be required to pay a penalty (see Appendix B, Table B-12), which may be added to any existing account of the customer. If the customer fails to appear, the customer's request for another hearing will not be granted unless the failure to appear was caused by an emergency or because of the occurrence of an unforeseeable circumstance or event, which shall be determined by the Office of General Counsel, and the customer pays the penalty prior to the subsequent hearing. In such case, the subsequent hearing must be held within five (5) business days of the original hearing.

2.5.14 Continuances

Any request for a continuance shall be made to the Office of General Counsel, which shall grant such a continuance only in the case of an emergency or because of the occurrence of an unforeseeable circumstance or event. Any request for a continuance made by a customer which is not received at least twenty-four (24) hours (i.e., one complete business day) before the scheduled hearing may result in an award in costs to the District (see Appendix B, Table B-12) which may be added to any existing account of the customer.

2.5.15 Representation

A customer may represent himself/herself or may be represented by an attorney, relative, friend, or any person other than a District employee. The District will not be represented by an attorney unless the customer is so represented. If the customer is to be represented by an attorney, the customer must inform the District of that fact at the time the written request for a hearing is delivered to the District, or if the services of an attorney are procured later, then as soon as such representation is arranged.

2.5.16 Evidence

The Hearing Officer may consider evidence that will assist the Hearing Officer in reaching a decision and may give effect to the rules of privileged communications (e.g., attorney/client privilege, husband/wife privilege, etc.) under the law. Information that is irrelevant and unduly repetitious may be excluded. Documentary evidence may be received in the form of copies or excerpts. Each party shall have the right to ask questions of persons who make statements at the hearing.

2.5.17 Legal Authority

The Hearing Officer shall apply as the first source of law District Resolutions, Manager's Directives and Regulations. If none of these govern or decide the issue(s) presented, the Hearing Officer shall resolve the issue(s) on the basis of the best legal authority and reasoning available, including that found in the state and federal constitutions, statutes, and court decisions. If the Hearing Officer determines that additional legal authority should be submitted or that additional time is required to adequately consider legal arguments, the Hearing Officer may take a case under advisement for a reasonable period of time, the estimated length of which is to be announced at the hearing.

2.5.18 Limitation on Authority

The Hearing Officer shall not have the power to declare a District Resolution, Manager's Directive, provision, regulation or any portion thereof invalid for any reason, but may allow argument to be made for purposes of subsequent review.

2.5.19 Review of District Action

If the dispute involves a question of whether the customer is indebted to the District, the District must establish the customer's obligation by a preponderance of the evidence. If the dispute involves a question of whether a District decision is inconsistent with the regulations of the District, the customer must establish that the District's decision is a willful and unreasonable action made without consideration and in disregard of facts and circumstances.

2.6 Rates, Fees and Charges

2.6.1 Service Connection Charge

- (a) A Service Connection Charge (SCC) shall be charged to all New Customers connecting to District facilities, and to all existing customers requesting additional service work. The amount of the SCC is shown in Appendix B, Table B-1.
- (b) Additional costs for services may be required if the service will be connected to a main previously constructed, under the District's line extension policy (see Section 3.3).

2.6.2 General Facilities Charge (GFC)

A General Facilities Charge (GFC) is applied on new service connections to compensate for costs the District incurs in construction or acquisition of water system general facilities, (i.e., source, storage, treatment and transmission facilities); required to support the addition of the new customers. The GFC amount is based on the demand a new water service connection is expected to place on the water system (see Appendix B, Tables B-2 and B-3). Equivalent Residential Units (ERU) will be used to represent the demand a given service will place on the District's water system and consequently that service's respective share of the costs of the District's water system general facilities (see Appendix B, Table 3). The following procedures apply to payment of the GFC:

- (a) All New Customers connecting to a District water main or expanding their service connection shall pay a GFC, except as follows:
 - (1) The GFC shall not apply to extensions, new developments, or subdivisions where water facilities are financed under the LUD process (see Section 3.3.2).
 - (2) If a New Customer provides documentation, acceptable to the District, that the applicable GFC for such customer's requested connection has already been paid through past payment by a Developer, or other means, the GFC shall not be applied.
- (b) Where construction of a development or subdivision requires connection of a new Developer-installed main extension to the

District's water system, the Developer has the option of paying the total applicable GFC for all lots at the time of conveyance of the main extension to the District, or deferring payment of the GFC applicable to any individual lot until a service connection is requested for such lot (see Appendix B, Table B-2).

- (c) Where a development or subdivision is constructed within the boundaries of the District's integrated water system, but connection with the District's integrated water system is deemed by the District in its sole judgment to be impracticable at the time of construction, such development or subdivision may construct and utilize a separate, temporary water supply, storage and distribution system, to be owned and operated by the District. Such system shall be attached to the District's integrated water system at District cost at such time that the District deems attachment practicable and appropriate. The Developer of the development or subdivision has the option of paying the GFC at the time of conveyance of the new distribution system to the District, or deferring payment of the GFC applicable to any individual lot until a service connection is requested for such lot (see Appendix B, Table B-2).
- (d) When the Developer chooses to defer the payment of the GFC, an adjusted GFC amount shall be applicable in order to permit the District to recover administrative costs and interest costs associated with delayed payment (see Appendix B, Table B-2).
- (e) When the Developer chooses to defer the payment of the GFC with regard to any specific parcel of property to be connected to the District's water system (including, in the case of a condominium, any unit or common area) the Developer shall be obligated to disclose to the initial purchaser of such parcel of property that a GFC is due and must be paid to the District prior to installation of a meter and connection of such parcel to the District's water system. Installation of a meter and connection of a parcel of property, including a condominium unit, to the District's water system shall not occur until all applicable fees have been paid to the District including but not limited to the required GFC.

A Developer who fails to provide the disclosure required in this subsection shall defend, indemnify and hold the District harmless from and against any

and all claims, demands, losses, costs and damages of whatsoever nature, including attorney fees and costs, incurred by the District as a result of such failure.

- (f) The District shall determine the appropriate number of ERUs to be assigned to any and all New Customer connections. The General Facilities Charge for a subdivision constructed under the circumstances described in subsections (b) and (c) above where the Developer has chosen to pay the GFC at the time of conveyance to the District of the Developer-installed main extension or water distribution system, shall be based upon the total of the estimated number of ERUs assigned by the District for each parcel of property in the development or subdivision. If the use classification or the number of dwelling units for any parcel changes between the date of the estimate and the date of application for service to such parcels, causing a change in the estimated ERUs applicable, the General Facilities Charge shall be recalculated accordingly. The recalculation shall be based upon the new number of ERUs. If the recalculated General Facilities Charge is greater than the original payment, the applicants for service to parcels which have a different use classification or a different number of dwelling units shall pay the difference between the recalculated General Facilities Charge and the estimated General Facilities Charge. No refunds will be made by the District where the recalculated charges are less than the original payment.

In recalculating the General Facilities Charge, the rates in effect at the time of the recalculation shall be used; and for purposes of calculating the difference that the applicant shall pay, the estimated General Facilities Charge shall be recomputed based upon the rates then in effect.

- (g) The General Facilities Charge shall also apply to an LUD or to the identified and assessed individual properties contained therein at the time of formation. Properties within an LUD are subject to the applicable LUD GFC. However, once an LUD has been established and the final assessment roll confirmed, any additional individual water service customer within an established LUD requesting a new water service connection or adding to the number of ERUs to be served

by that customer's existing water service connection shall be deemed a "New Customer," and be subject to the General Facilities Charge imposed at the time of connection (see Section (h) below).

- (h) In all cases, the GFC paid shall be based upon the GFC in effect on the date of payment.

2.6.3 Distribution System Charge (DSC)

The Distribution System Charge (DSC) is assessed to compensate for costs the District and its existing customers have paid to install the system's existing local distribution network, or for the costs of installing new distribution lines required to support the addition of the new customers.

The DSC applies to each New Customer connecting to a District-owned water main when such New Customer has not contributed to the cost of the water main either through an LUD assessment, other charge imposed by District policy, or through purchase of an individual parcel specifically for which the water main extension was originally installed. The DSC also applies to each New Customer within satellite systems in cases where the conditions for District acquisition of the system include payment of the DSC.

Depending on the type of development, the DSC is calculated as either a standard charge per connection, or as a charge based on front footage. The DSC for various types of service is shown in Appendix B, Tables B-4 and B-5.

Payment of the DSC is required with regard to each of the following situations:

- (a) Whenever construction of a development or subdivision includes connection to a District main **and** extension of a new or the replacement of an existing main by the developer along the entire frontage of the proposed development or subdivision is **not** required, a DSC shall be imposed upon the Developer.
- (b) Whenever a lot for which a DSC has been paid is subdivided, and additional water connections are made to serve the new lots created by subdivision, an additional DSC shall be collected from the Developer or each New Customer connecting to a District main.

- (c) Whenever a New Customer connects to a District main under an Interim Connection Agreement (ICA), a DSC shall be imposed.

Where applicable, a DSC collected from a New Customer shall be paid as reimbursement to the individual or developer responsible for installation of the water main, in accordance with Section 3.3.9 of this manual.

In the case of a New Customer connection to a water main installed through a completed LUD process, the DSC collected shall be paid as reimbursement to the District; the DSC shall be equal to the apportioned distribution system cost assessed to each participating LUD property, or the current DSC amount, whichever is greater.

2.6.4 Rate Schedules

- (a) The District has rate schedules for particular types of service provided. A summary of these charges is provided in Appendix B. For specific detail, refer to the Rate Schedules. In case of conflict between the provisions of any rate schedule or special contract and this Policies and Procedures Manual, the provisions of the rate schedule or special contract shall apply.

2.6.5 Non-Standard Service Charges

- (a) The District shall charge private parties and public entities for services rendered by the District on behalf of such private parties or public entities.
- (b) For services not covered by standard fees or charges, the rate charged for services (the “service rate”) rendered by District personnel shall be the hourly rate for the position, including benefits, plus overhead.
- (c) Equipment shall be billed at reasonable rates consistent with retail rental rates for like equipment in the greater Seattle-Tacoma-Everett area. Such rates will be established by the Assistant General Manager of Water Resources or his/her designee, on a case-by-case basis, by obtaining three or more estimates from private rental firms in the area.

2.6.6 Account Service Charge

- (a) An Account Service Charge (see Appendix B, Table B-10) is to be billed during processing of each service application, except for:
- Initial meter installation for service to a premise.
 - Services or meters added to existing premises or account by new service application.
 - Initial temporary meter and service for construction.
 - Name changes when no closing bill is requested or required.
 - Owner/agent agreement with owner/agent assumption of responsibility for service between tenants.
 - Disconnection of an account for nonpayment and reconnected subject to a reconnection fee.
 - Name changes between husband and wife.
 - Name changes between the deceased customer and estate.
- (b) A credit of the account service charge may be given in those cases where a customer has cut-in to an account in error.
- (c) The customer is to be advised of the account service charge at the time the application is taken.
- (d) The account service charge is to be billed within ten (10) days from the date the application was taken.
- (e) The following procedures shall be followed:
- Separate applications for service when billed on different account numbers at the same address -- one charge for each account, unless separate accounts are established for District convenience.
 - Electric and water service on one account -- one charge.
 - Multi-service account -- one charge for each additional meter reconnection after the initial application.
 - Multi-metered complex (e.g., apartment house) --
 - One charge per account for general use areas.

- If no general use account, one charge per building to initiate service for one or more non-rented units.

2.6.7 Records Research Charge and Public Information Requests

The District will make information and records available to the public for inspection and copying in accordance with RCW Chapter 42.17, the Washington Public Records Disclosure Act, and District Policy.

Information and records concerning water service, including rates, charges, connections, disconnections, construction, installations, engineering, policies and procedures may be obtained from Water Resources, located in the District's Headquarters Building, 2320 California Street, Everett, Washington or at the Water Operations Facility located at 3301 Old Hartford Road, Lake Stevens, Washington. Requests for public records will be handled in compliance with provisions of the District's policy on Access to Public Information and Records. No fee is charged for inspection of public records on the premises; however, the District imposes a charge for providing copies of public records. Such charges do not exceed the actual costs of copying. The customer may be billed a records research charge at cost for documentation requested on their account.

2.6.8 Disconnection/Reconnection Charge

- (a) Whenever water service has been disconnected for noncompliance with the Policies and Procedures, for nonpayment, or for fraudulent use, the service will not be reconnected until the situation requiring such action has been corrected to the satisfaction of the District. A reconnection fee (see Appendix B, Table B-10) shall be charged for reconnection during regular business hours. A higher fee shall be charged for reconnection at all other times including weekends and holidays (see Appendix B, Table B-10). As appropriate, the customer will be pre-advised of these fees.
- (b) When an account requires the physical reconnection of both electric and water, the total charge will include components for each type of service (see Appendix B, Table B-10).

2.6.9 Discounts

The District does not currently offer discounts for water service.

2.6.10 After-Hours Connection Charge - New Customer or Vacant Account Reconnect

- (a) For connection requested to be completed during the hours of 5:30 p.m. to 8 a.m., or during weekends or holidays, customers will be advised at all times that there will be an after-hours connection charge (See Appendix B, Table B-10) in addition to the Account Service Charge.
- (b) When an account requires the physical reconnection of both electric and water, an additional charge will be imposed for the electrical component of the work (See Appendix B, Table B-10).

2.6.11 After-Hours Service Charge - Established Customers

Established customers will be advised at all times of a charge (See Appendix B, Table B-10), plus material cost and tax, if a water serviceperson is dispatched to the customer's premise, at the customer's request, during other than normal business hours (5:30 p.m. to 8:00 a.m. and weekends and holidays) and it is determined that the problem is caused by a failure of the customer's facilities.

2.6.12 Returned Check Charge

An accounting service charge (See Appendix B, Table B-10) may be made to each water service account for which payment has been received by any check or legal tender which is subsequently returned to the District by the bank for irregularities, lack of sufficient funds in the payer's checking account or the customer having closed the account.

2.6.13 Field Collection Call Charge

Whenever it becomes necessary for a District representative to make a collection call at the customer's premise(s) to enforce payment of a billing or security deposit, a field collection call charge (See Appendix B, Table B-10) will be made.

2.6.14 Security Deposit

- (a) Security deposit may be required of a customer at application or later for any of the following reasons:
 - Incomplete or improper application.

- Misrepresentation of identity.
 - Tampering with District equipment.
 - No established credit.
 - Payment record.
- (b) A notice may be mailed to the customer when a security deposit is required, showing the amount and due date.
- (c) Payment or acceptable collateral is due as stated in the mailed notice unless other arrangements are made within that period.
- (d) Amount of deposit will not exceed the established flat fee amount (see Appendix B, Table 10) for those residential customers who have been District customers for less than 12 months. The amount of deposit for those residential customers who have been District customers for more than 12 months will not exceed the estimated maximum billing for two consecutive months within a 12-month period.
- (e) Amount of deposit for commercial customers will be the highest two month billing in a twenty-four month period.
- (f) Deposit, plus interest, will be applied to the account based on evaluation of customer credit history, after 12 months experience with residential customers and 24 months with commercial customers.
- (g) Upon termination of service, an existing deposit, plus accrued interest, will be applied to any amounts due and any balance refunded.
- (h) Transfers: When a customer relocates and reapplies for service, an existing deposit will be applied to the bill. A credit balance will be carried over to the customer's new service location. A new deposit based on the consumption at the new address, or a flat fee, will be required when appropriate.
- (h) Interest: Interest will be paid on all deposits. The interest rate paid will be established periodically by the District Treasurer.

2.6.15 Charge at Cost for Nonstandard Service

Customer shall pay the cost of any special installation necessary to meet the customer's particular requirements for service at other than standard

pressures, or for closer pressure regulation than would normally be provided at the location involved.

2.6.16 Surcharges

By action of the Board of Commissioners, the District may impose surcharges on monthly or bimonthly customer rates, to fund capital improvements or operations and maintenance. Surcharges may be imposed on all District customers, or on customers in selected pressure zones, satellite systems, etc., according to the benefits derived from the capital improvements or the operations and maintenance activities funded.

2.7 Violations

2.7.1 Unauthorized Taking of Water, Tampering with Equipment, and Unauthorized Connection to the District's System

When appropriate, the District will seek criminal or civil proceedings for theft of water, destruction of District property and other violations of law affecting delivery of its services authorized by applicable city or county ordinance or by state law, and may pursue collection under RCW 80.28.240 for its losses, damages, and costs related to such actions to the full extent provided by law. In addition:

- (a) There may be levied an investigation or service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall take water or knowingly received the benefit of water taken from any water line, reservoir, or fire hydrant, or any facility of the District without the District's consent and without first having obtained from the District a permit to take such water. Such sum shall be due and payable immediately upon the taking of such water.
- (b) There may be levied an investigation, service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall tamper with any water meter, fire line meter, service line, or any meter related appurtenances of the District. Such sum shall be payable at the time of discovery by the District of such tampering.
- (c) There may be levied an investigation, service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation

who shall take water from an angle stop, service lead, angle check valve, or related appurtenances intended for a future meter installation without consent from the District to take such water. A meter will not be installed to serve such property until such charge is paid together with the standard meter installation fees. If a meter application has been purchased from the District and, prior to installation of such meter, it is determined by the District that water has been taken in violation of this section then such meter will not be installed and the meter application will be held until the purchaser of such meter application pays the charge.

- (d) There may be levied an investigation, and service and/or commodity charge (See Appendix B, Table B-12) against any person, firm or corporation who shall operate any valve in the District's system without the District's consent. Such sum shall be due and payable at the time of discovery by the District of such unauthorized operation.

2.8 Fire Protection

2.8.1 Commercial Fire Protection Service

- (a) Application for water service for the sole purpose of commercial fire protection must be made by completing and signing a standard application form.
- (b) The minimum charge shown on the District's rate schedule includes water for fire protection use only. The monthly rate of water used, except for fire protection, will be double the regular-metered service water rate applicable to that certain customer.
- (c) Service charge for new fire protection service connection.
 - The customer must pay the cost, including installation costs, from the customer's premises to an existing main of the District.
 - The customer must pay the cost of a detector check and meter, plus the cost of installation.
 - Services to be used for fire protection exclusively may only be fitted with fixtures that will be used for fire protection and shall not be connected to any fixtures that will be used for other purposes.

Customers having such services shall be charged not less than the minimum standby service charge as established from time to time by resolution of the Board of Commissioners. In no case shall any connection be made upon any service line, tank or other fixture installed exclusively for fire protection for any purpose except the fire service or through any pipes, tank or other fixtures reserved for fire protection be permitted for any purpose except the fighting of fires. To protect against water being drawn from a fire service for any purpose other than the fighting of fires, the District may install a detector meter on such service and charge all costs of such installation to the property and the customer.

2.8.2 Hydrant Installation

The District will install hydrants on existing District water mains, at the request of one or more customers if the mains are of sufficient capacity to provide adequate fire protection with costs borne by the customer(s). The type of hydrant and location shall be as specified by the District, which shall include the requirements established by appropriate jurisdictional agencies, regulations of Snohomish County, and the Snohomish County Coordinated Water System Plan, whichever is stricter.

Upon request, the District will prepare an estimate for the total cost of the installation of a hydrant. Upon payment of this estimated amount, the District will make the installation. On completion of the work, the customer will either be refunded or billed the difference between the estimated amount and the actual cost. At the District's option, this work can be done at a contract price to be paid in advance.

2.8.3 No Guarantee of Adequate Water for Fire Protection

Notwithstanding the provisions contained in these schedules for commercial fire protection service, or for other metered service, including water furnished to any fire hydrant or other equipment used, or which may be used for fire connection service, it is understood that the District cannot guarantee any minimum quantities of water or pressure of the water to be furnished to any of such hydrants or outlets, 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 to such hydrant or outlet.

2.9 Special Arrangements for Short-Term Water Usage

2.9.1 Temporary Water Service

At the District's discretion, temporary water service may be provided to accommodate special needs for water at a fixed site on a short-term basis (e.g. on-site needs for construction activities). Temporary water service may be provided from a District blow-off assembly or from a fire hydrant specifically designated for this purpose by the District through a District supplied construction fill station (see Section 2.9.2). Only District personnel are authorized to install a connection to a District blow-off assembly or fire hydrant for this purpose.

Temporary service may be authorized for a period not exceeding six months at a time. Upon expiration of the initial six-month period, a customer may request an extension of temporary service for up to two (2) additional six-month periods. The customer will be responsible for paying the associated "Temporary Construction Fill Station" fee as shown in Appendix B, Table B-10 (Miscellaneous Fees) for each six-month period for which temporary service is requested, as well as a damage or security deposit. No more than two (2) extensions will be granted, unless authorized by the AGM of Water Resources or his/her designee.

A customer obtaining temporary water service will not be required to pay a SCC, GFC, or DSC. However, a customer obtaining temporary water service will be required to pay a "Temporary Construction Fill Station" fee as shown in Table B-10 for each six (6) month period for which temporary service is requested, as well as a damage or security deposit. In addition, temporary service will be metered and the customer shall be required to pay a charge for water usage in accordance with the appropriate rate schedule (see Appendix B, Tables B-6 to B-8). Arrangements for metering and billing will be established on a case-by-case basis. Any damage to District facilities or equipment caused by the customer is the responsibility of the customer and will become due and payable to the District immediately. Failure to pay for the damage to the District's equipment will result in immediate and permanent removal of the temporary service. No future temporary construction fill stations will be installed for the customer (regardless of the project or location for which the new temporary service is desired) until all damage charges have been paid in full.

Upon termination of temporary service, the District will disconnect the temporary water service and take possession of the associated District equipment. Following disconnection and payment of all outstanding charges for water usage or damage claims for damaging District equipment, the District shall refund any damage or security deposit, less the amount needed to replace or repair District equipment. However, in the event the customer fails to pay outstanding charges for water usage, the District may retain an amount equal to such outstanding charges.

2.9.2 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 2.7.1, any person violating this provision shall pay for the amount of water used, as estimated by the District and based on the applicable rate schedule.

At the District's discretion, authorization may be granted to take water from a fire hydrant connected to the District's water system via a District installed temporary construction fill station per Section 2.9.1. Procedures for authorizing use of fire hydrants shall be as follows:

- (a) When a customer desires to use a fire hydrant for Temporary Water Service (short-term water service at a fixed site) the procedures in Section 2.9.1 shall be followed. The customer shall utilize and obtain the necessary water only through the construction fill station installed by District personnel on a hydrant specifically designated by the District for this purpose.

2.9.3 Bulk Water Withdrawals

Customers may purchase bulk water from certain District-designated "Water Fill Stations" for short-duration purposes (1-3 days) or for intermittent use by a mobile water tank (e.g. tanks on hydroseeding or public works maintenance vehicles). Procedures for obtaining a Bulk Water Use Permit shall be as follows:

- To obtain a Bulk Water Use Permit, the customer shall complete a Bulk Water Use Application, pay a fee established by the District for the Permit (see Appendix B, Table B-10, and pay a refundable key deposit. A permit will be issued either for a daily (one to three days); monthly; or six-month period. At the District's discretion, the fee may be adjusted if the quantity of water deviates by more than 50 percent from the following:
 - Daily Permit Limited to 2,500 gallons; or 334 cubic feet
 - Monthly Permit Limited to 10,000 gallons; or 1,336 cubic feet
 - Six-Month Permit Limited to 60,000 gallons; or 8,021 cubic feet

- Unauthorized duplication of keys is prohibited. Keys may not be transferred to or used by unauthorized persons. Keys must be returned in order for the District to refund the key deposit.

- Customers taking water from District fill stations must record the START meter reading on the log sheets provided in the fill station boxes PRIOR to withdrawing water and at COMPLETION of withdrawing water. This must be done each time water is withdrawn because someone else may use the fill station in between visits.

- The customer shall utilize only those "Water Fill Stations" specifically designated by the Bulk Water Use Permit.

- Any damage to District facilities or equipment caused by the customer is the responsibility of the customer and will become due and payable to the District immediately and may be deducted from the original deposit. Violation of these regulations or Permit conditions may result in revocation of Permit.

- The customer shall obtain a placard from the District that indicates a Bulk Water Use Permit has been obtained. At any time a water fill station is being used, the customer shall display this placard in a prominent position clearly visible from the street. The customer shall not provide this placard to any other person.

- Return of the key and final meter readings, so the amount of water withdrawn can be totaled, are required in order to close-out bulk water permits. The water consumption record(s) and key should be returned to Water Resources at the District's Headquarters Building, 2320 California in Everett or to the District's Water Operations Facility, 3301 Old Hartford Road in Lake Stevens. Following key return and verification of water usage, the deposit will be refunded by mail unless other arrangements are made.

Section 3 Extension Policies

Section 3

Extension Policies

3.1 Introduction

3.1.1 General Provisions

The District will provide facilities for the distribution of water within its service areas in accordance with approved land use plans, policies or other regulatory requirements governing service provisions. Extension of a system to serve additional customers, properties, tracts, or subdivisions will normally be paid for by the individuals that are benefited.

An applicant (throughout this Policy the term "Applicant" shall be used to include an owner or developer) proposing an extension will normally be responsible for financing the entire cost of such extension. Costs include new facilities, replacement of existing system components when necessary for making the extension or improvement, and upgrades to meet requirements such as current construction standards or fire flow which are associated with the applicant's project. Over-sizing water system components as outlined below, however, will not in all cases be charged solely to the applicant. Reimbursement or credit against District charges is available in some circumstances.

All water facilities must be located on property owned by the District, public rights-of-way, or have dedicated easements. All water facilities must be transferred to the District's ownership for operation, maintenance, and service responsibilities and will be subject to maintenance bonding requirements.

3.1.2 Application of Policies and Procedures

In specific instances, the Assistant General Manager or his/her designee may, at his/her discretion, waive or modify the application of the policies and

procedures described herein, including the application of standard fees and charges, provided that such waiver or modification allows for more effective or efficient achievement of District goals, objectives, and overall policies. Conditions for waiver or modification of the application of these policies and procedures are contained in Section 1.4 of this Manual.

3.1.3 Standards and Specifications

Water system extensions, improvements, or new facilities must be constructed in accordance with the District's Standards and Specifications for Design and Construction (Appendix A). Copies will be furnished by the District upon request. The Applicant must ensure that the latest version of the Standards and Specifications is followed.

The Standards and Specifications have been developed as professional, technical guidelines for regulating system design and installation. The Assistant General Manager may modify the Technical Standards and Specifications, from time to time to maintain consistency with changing technology and industry standards. In addition, the Assistant General Manager may waive strict application of the Standards and Specifications in certain instances, provided that the resulting design or construction is approved by the District, and remains consistent with the goals and objectives expressed in this Manual.

3.1.4 Notification

The Applicant's contractor shall schedule a pre-construction conference and notify the District at least five (5) working days prior to commencing work. All work shall be inspected by the District. The contractor shall contact the District water shop at (425) 783-8916 to schedule all tie-ins at least three (3) days in advance.

3.2 Administrative Procedures for System Extension

3.2.1 Plan Approval Required

All plans for extensions, improvements, or additions to water facilities must be approved by the District prior to construction.

3.2.2 Application

Requests for extension or improvement of a District water system to serve newly developed and/or existing properties shall be made by applicants or their authorized agents using the District's application format. Each application shall contain a legal description of the property to be served and be accompanied by two (2) copies of preliminary plans, showing the location of all water lines, hydrants, and valves needed to serve the area.

Applicants should schedule a meeting with District Engineering staff to discuss the proposed project, prior to completion of the application.

3.2.3 District Review

The District will review the application and associated plans. A Plan Review Fee, as described in Section 3.3 (see Appendix B, Table B-11), will be assessed to compensate for review services.

The District will notify the applicant of the feasibility of the service requested, conditions for construction, and any additional facilities (e.g. water source, storage, booster stations, water main upgrades, etc.) that may be required as a result of the proposed extension/development. The District may require additional special requirements such as cross connection control devices or backflow prevention assemblies. This process will enable an applicant to estimate more accurately the associated construction costs and District charges.

If fire flow is required, the plan must be approved by the appropriate Fire Marshal. District standards may be more stringent than standards required by local fire jurisdictions, and if there is any conflict between standards, the more stringent standard will apply.

In all cases where a road right-of-way will be used for mains or other improvements, the appropriate city or county governmental agency must also approve the plan.

At the District's option, engineering design services may be provided by District staff at the application stage. A fee will be charged for such services (see Section 3.3).

3.2.4 Extension Agreement

If a project is accepted, the applicant shall then execute with the District an Extension Agreement which will specify the terms and conditions of the extension or system improvement in accordance with the District's standards. Extension agreements must be signed by the Assistant General Manager or his/her designee.

3.2.5 Submittal of Plans and Specifications

At the time the Extension Agreement is submitted, two (2) sets of detailed plans and specifications shall be submitted by the applicant to the District for review and approval. All drawings and specifications must be stamped by a registered Professional Engineer licensed in the State of Washington.

As the project progresses, any deviations from originally approved plans and specifications shall be approved in advance by the District in writing, and recorded. Updated plans must be provided to the District.

3.2.6 Permits, Easements, and Approvals

At the District's option, the applicant may be required to prepare all necessary documentation for permits, easements, and approvals. These may include, but are not limited to lane closure, building, grading, drainage, shorelines, conditional use, variance, Department of Health, Parks & Recreation trail crossing, and railroad agency permits. The District will ordinarily prepare documentation for Right of Way permits. The required documents shall be provided to the District, which will submit them to the appropriate agencies for processing. Any fees levied for permit processing shall be paid by the applicant.

The Applicant's contractor shall secure all permits and authorizations required from local and State agencies and disposal sites related to asbestos work, removal and disposal, including but not limited to submittal of a written "Individual Notice of Intent to Perform an Asbestos Project" to the Puget Sound Clean Air Agency, if required. An "Individual Notice of Intent to Perform an Asbestos Project" will generally be necessary for any project which requires the contractor to remove in excess of 10 linear feet of asbestos cement water main. No work on asbestos-cement main shall proceed without proper permits, certifications, worker protective clothing and breathing

apparatus, and approved asbestos disposal bags. Prior to commencing work on asbestos-cement pipe, the contractor shall provide the District with a copy of any required "Individual Notice of Intent to Perform an Asbestos Project," and the contractor shall file the same with the Puget Sound Clean Air Agency. The cost of asbestos related permits shall be paid by the Applicant's contractor. A copy of any required permit(s) shall be available at the project site at all times.

The Applicant's contractor shall comply with all provisions of any applicable permits.

A copy of the appropriate plans, specifications, and all required permits shall be maintained on the project site at all times during construction.

All District facilities shall be installed within the city/county right-of-way or in a District approved easement. The Applicant, at the District's option, shall either supply the District with the legal description of the easement (as-built) and shall pay the costs incurred by the District to do all title work, to prepare any necessary easements, and to file and record the legal easements prior to District final acceptance, or prepare, obtain and convey all easements to the District at the Applicant's sole cost.

3.2.7 As-Built Drawings

Upon completion of the project, two (2) sets of revised as-built drawings and specifications, and an additional set in a digital format compatible with the District's CAD system (AutoCAD, Microstation, or DXF file), shall be provided to the District at the applicant's expense. As-built plans must show all new water facilities and related appurtenances which, at a minimum, shall include the locations of all mains, valves, hydrants, and fittings giving sizes and types of each. The drawings shall show the exact location of water mains including distances of mains from property lines.

A registered Professional Engineer licensed in the State of Washington must stamp all drawings and specifications, including as-builts.

3.2.8 Final Acceptance

Upon completion of construction, applicants or their contractors shall notify the District and request a final inspection for approval of the project. The

District will issue a Letter of Final Acceptance of the main extension, improvement or water facility, provided that:

- (a) the water main has been installed according to the approved plans and specifications;
- (b) pressure and bacteriological tests have been passed;
- (c) all permit conditions have been satisfied;
- (d) all extension policy conditions have been fully satisfied;
- (e) all fees required by the District and other entities have been paid;
- (f) all easements are recorded at the county or shown on the face of the final plat map;
- (g) all necessary bonding is in place;
- (h) a new mylar drawing is provided which reflects as-built conditions;
- (i) a digital copy of as-built water plan is provided; and
- (j) a "Bill of Sale" is executed and accepted by the District.

The date of the final acceptance letter will begin the period of warranty. The final acceptance shall not constitute acceptance of any unpaid for, unauthorized, defective, omitted, or non-conforming work or materials. Final acceptance shall not prevent the District from requiring the applicant to pay for, remove, replace, dispose, or add work or materials or prevent the District from recovering damages for any defective work or materials or for any breach of contract.

In the event that a letter of credit or similar financial instrument has been provided as a means of guaranteeing project completion, at the District's sole option a Conditional Letter of Final Acceptance may be issued prior to full applicant/contractor compliance with all of the requirements listed above. In order for this option to be exercised, the terms and conditions described in Section 3.2.9 must be met.

3.2.9 Letter of Credit

If requested by an Applicant for his/her convenience, the District may elect to accept a letter of credit, or equivalent financial instrument, as a guarantee of payment for various purposes. These purposes may include, but are not limited to, payment of GFCs or other fees, or completion of an extension project. However, nothing in this provision shall be interpreted as a requirement that the District accept a letter of credit, for any purpose. If a letter of credit is used to guarantee payment, the following conditions must be met:

- (a) Payment of a Letter of Credit Processing Fee to the District;
- (b) The Letter of Credit must be issued by a financial institution in a form acceptable to the District;
- (c) The Letter of Credit must name the District as sole beneficiary of the funds described therein;
- (d) Expiration of a Letter of Credit without a District draw upon the funds described therein shall not relieve the Applicant from any obligations to the District;
- (e) If the Letter of Credit is used to guarantee payment of fees, the District shall be authorized to redeem the full value of outstanding fees if all fees have not been paid within 90 days.

3.2.10 Maintenance Bond

Before the District will issue its letter of final acceptance, the Applicant shall provide an executed maintenance bond for 10 percent of the full value of the water facilities installed. Such value shall be determined by the District. The Applicant may post cash in lieu of bond, on the same terms and conditions as described herein. This bond shall:

- (a) Be on a District-furnished form.
- (b) Be signed by an approved surety (or sureties) that;
 - Is registered with the Washington State Insurance Commissioner, and

- Appears on the current Authorized Insurance List in the State of Washington published by the Office of the Insurance Commissioner.
- (c) Be effective for two (2) years from the date of the District's Letter of Final Acceptance.

If at any time during the two-year period, the bond or cash in lieu of bond is used for payments, the Applicant shall, within five (5) business days of such payment, reinstate the value of the bond or cash in lieu of bond to an amount equal to 10 percent of the full value of the water facilities installed. If the value is not reinstated, the District may, at its option, redeem the bond.

The District may require sureties or surety companies on the bond to appear and qualify themselves. Whenever the District deems the surety or sureties to be inadequate, it may, upon written demand, require the Applicant to furnish additional surety to cover any remaining work.

3.2.11 Indemnify, Defend and Save Harmless

The Applicant's contractor who is constructing facilities to be transferred to the District shall agree to indemnify, defend and to hold the District harmless from any and all claims, losses or liability for damages arising from acts done or omissions made under the contract, to the fullest extent allowed by applicable law. Before commencing work such contractor shall furnish the District certificates of his comprehensive general and automobile liability and property damage insurance, in limits acceptable to the District, protecting against all claims for personal injury or property damage, including coverage for underground collapse and explosion damage, arising during the course of the performance of said contract.

3.2.12 Bill of Sale

The Applicant shall transfer ownership of all installed water mains and facilities to the District pursuant to a Bill of Sale utilizing a District-approved form. The Bill of Sale shall be signed by the Applicant or its authorized agent. The Bill of Sale shall describe lengths and sizes of water mains, and size and quantities of services and hydrants, and the location in general terms, including the name of the plat if applicable.

The applicant shall provide the District with all applicable invoices and other information necessary for preparation of the Bill of Sale.

3.3 Financing and Fees

3.3.1 Financing Methods

Line extensions can be paid for in three ways:

- (a) The Applicant may obtain his/her own contractor to install the main to meet District specifications, and pay the contractor directly. Upon completion of the work, and after approval by the District, the installation will be turned over to the District by means of a Bill of Sale.
- (b) For projects involving multiple property owners and developed properties, a Local Utility District (LUD) may be formed to finance the extension (see Section 3.3.2).
- (c) In limited cases, and at the District's option, the District may construct the facilities or may contract for construction. The District will make an estimate of the total costs of the project. On receipt of the payment of that estimated amount by the Applicant, the District or its authorized representative will proceed with construction. Upon completion of the project, the customer will be either refunded or billed for the difference between the estimated amount and the actual cost of the installation. On jobs where the estimated cost of materials exceeds \$50,000, the District must call for public bids, and award the contract to the lowest acceptable bidder.

3.3.2 Formation of a Local Utility District (LUD)

Property owners within a defined area may petition the District's Board of Commissioners for formation of an LUD to finance the extension of water mains to serve their properties. Assessments are levied upon properties benefited by the improvements. All costs and expenses included under RCW 35.44.020 including but not limited to engineering, construction, legal, survey, administrative, office, easements, and costs associated with the

procurement of all necessary permits and conduct of environmental analysis are a part of the LUD costs.

The District will prepare a petition at the current cost established in Appendix B, Table B-11 for property owners desiring to initiate the formation of an LUD.

To the full extent required by and subject to the limitations imposed by applicable law (as amended from time to time), the Board of Commissioners of the District shall determine whether or not to form an LUD on the basis of the facts and circumstances pertinent to each particular proposal.

LUD formation must follow procedures described in the District's LUD Process Manual and applicable statutes.

Costs for tapping onto a main constructed under an LUD will be defined in the provisions of the LUD involved.

Under applicable law, certain properties within the boundaries of a LUD may be exempt from assessment. In such cases, the District will grant an exemption, provided the property owner or his/her representative notifies the District in writing and provides evidence satisfactory to the District that the property qualifies for an exemption.

The LUD process may also be available for financing the costs of water system attachment for certain individual, pre-existing single-family residences not located within or contiguous to an LUD currently undergoing formation. Such process requires participation in a "non-contiguous Local Utility District" available only to owners of single-family residences taking permanent service from an existing District pipeline. In order to qualify for the non-contiguous LUD process, the dwelling to be served must be the residence of the Applicant or of the Applicant's tenant. The determination of whether or not a service can be considered permanent shall be at the District's sole discretion. Any funds payable by the District to a third-party applicant under an applicable latecomer policy or agreement as a consequence of an LUD customer attachment shall be paid only upon adoption by the Board of Commissioners of the final assessment roll relating to such LUD (see Sec.3.3.9).

3.3.3 LUD Assessments

For an LUD, each property included will pay an assessment established by the LUD process and designed to ensure that customers pay an equitable share of system costs for supply, transmission, treatment, and local distribution lines. Assessments shall include cost of system construction together with any applicable General Facilities Charge (GFC), Distribution System Charge (DSC) and, at the option of each assessed property owner, a Service Connection Charge (SCC). Assessments shall not be in lieu of any other applicable fees or charges payable as the result of customer service changes, water usage, or the formation of any future LUD.

Customers added after deadlines in the LUD process have passed (e.g. time expired, specified number of services added, etc.) will be assessed standard District Charges and Fees in effect at the time of the request for service and applicable to the affected system.

Further information can be found in the District's LUD Procedure Manual.

3.3.4 Plan Review Fee

At the time an application is submitted for an extension or improvement, the applicant shall pay the District a Plan Review Fee (see Appendix B, Table B-11) to cover the cost for up to two District reviews. If more than two (2) reviews are required for the same project prior to execution of an Extension Agreement, or if the scope or complexity of design requires unusually extensive review, an additional fee for non-standard engineering services may be charged.

If the District undertakes to provide engineering design services at the application stage, a fee may be charged for non-standard engineering services.

3.3.5 Extension Agreement Fee

At the time an Extension Agreement is submitted for execution by the District, the applicant shall pay the District an Extension Agreement Fee to compensate the District for resources needed to participate in the project (Appendix B, Table B-11).

3.3.6 Summary of Extension Fees

In addition to fees charged for processing applications, Extension Agreements, and other District services, the Applicant will be charged the following Extension Fees, where applicable:

- (a) General Facilities Charge
- (b) Distribution System Charge
- (c) Service Connection Charge

However, fees for properties located within LUDs are handled through the assessment process discussed above.

3.3.7 General Facilities Charge (GFC)

A General Facilities Charge (GFC) is applied on new service connections to compensate for costs the District incurs in construction or acquisition of water system general facilities (i.e., source, storage, treatment and transmission facilities) required to support the addition of the new customers. The GFC amount is based on the demand a new water service connection is expected to place on the water system (see Appendix B, Tables B-2 and B-3). Equivalent Residential Units (ERU) will be used to represent the demand a given service will place on the District's water system and consequently that service's respective share of the costs of the District's water system general facilities. The following procedures apply to payment of the GFC:

- (a) All New Customers connecting to a District water main or expanding their service connection shall pay a GFC, except as follows:
 - (1) The GFC shall not apply to extensions, new developments, or subdivisions where all applicable water system source, storage, treatment, and transmission facilities are financed wholly by the benefited properties under the LUD process (see Section 3.3.2) or through the applicant extension process.
 - (2) If a New Customer provides documentation, acceptable to the District, that the applicable GFC for such customer's requested

connection has already been paid through past payment by an Applicant, or other means, the GFC shall not be applied.

- (b) Where construction of a development or subdivision requires connection of a new Applicant-installed main extension to the District's water system, the Applicant has the option of paying the total applicable GFC for all lots at the time of conveyance of the main extension to the District, or deferring payment of the GFC applicable to any individual lot until a service connection is requested for such lot (see Appendix B, Table B-2).
- (c) Where a development or subdivision is constructed within the boundaries of the District's integrated water system, but connection with the District's integrated water system is deemed by the District in its sole judgment to be impracticable at the time of construction, such development or subdivision may construct and utilize a separate, temporary water supply, storage and distribution system, to be owned and operated by the District. Such system shall be attached to the District's integrated water system at District cost at such time that the District deems attachment practicable and appropriate. The Applicant of the development or subdivision has the option of paying the GFC at the time of conveyance of the new distribution system to the District, or deferring payment of the GFC applicable to any individual lot until a service connection is requested for such lot (see Appendix B, Table B-2).
- (d) When the Applicant chooses to defer the payment of the GFC, an adjusted GFC amount shall be applicable in order to permit the District to recover administrative costs and interest costs associated with delayed payment (see Appendix B, Table B-2).
- (e) When the Applicant chooses to defer the payment of the GFC with regard to any specific parcel of property to be connected to the District's water system (including, in the case of a condominium, any unit or common area) the Applicant shall be obligated to disclose to the initial purchaser of such parcel of property that a GFC is due and must be paid to the District prior to installation of a meter and connection of such parcel to the District's water system. Installation of a meter and connection of a parcel of property, including a condominium unit or any parcel held in common for the development, to the District's water system shall not occur until all

applicable fees have been paid to the District including but not limited to the required GFC.

An Applicant who fails to provide the disclosure required in this subsection shall defend, indemnify and hold the District harmless from and against any and all claims, demands, losses, costs and damages of whatsoever nature, including attorney fees and costs, incurred by the District as a result of such failure.

- (f) The District shall determine the appropriate number of ERUs to be assigned to any and all New Customer connections. The General Facilities Charge for a subdivision constructed under the circumstances described in subsections (b) and (c) above, where the Applicant has chosen to pay the GFC at the time of conveyance to the District of the Applicant-installed main extension or water distribution system, shall be based upon the estimated total number of ERUs as determined by the District to be necessary to provide service for all of the parcels of property within the development or subdivision to be served by the District. If the use classification or the number of dwelling units for any parcel changes between the date of the estimate and the date of application for service to such parcels, causing a change in the estimated ERUs applicable, the General Facilities Charge shall be recalculated accordingly. The recalculation shall be based upon the new number of ERUs. If the recalculated General Facilities Charge is greater than the original payment, the applicants for service to parcels which have a different use classification or a different number of dwelling units shall pay the difference between the recalculated General Facilities Charge and the estimated General Facilities Charge. No refunds will be made by the District where the recalculated charges are less than the original payment.

In recalculating the General Facilities Charge, the rates in effect at the time of the recalculation shall be used; and for purposes of calculating the difference that the applicant shall pay, the estimated General Facilities Charge shall be recomputed based upon the rates then in effect.

- (g) The General Facilities Charge shall also apply to an LUD or to the identified and assessed individual properties contained therein at the time of formation. Properties within an LUD are subject to the applicable LUD GFC. However, once an LUD has been established and the final assessment roll confirmed, any additional individual water service customers within such established LUD requesting a new water service connection or adding to the number of ERUs to be served by that customer's existing water service connection shall be deemed a "New Customer," and be subject to the applicable General Facilities Charge imposed at the time of connection (see Section (h) below).
- (h) In all cases, the GFC paid shall be based upon the GFC in effect on the date of payment.

3.3.8 Distribution System Charge (DSC)

The Distribution System Charge (DSC) is assessed to compensate for costs the District and its existing customers have paid to install the system's existing local distribution network, or for the costs of installing new distribution lines required to support the addition of the new customers.

The DSC applies to each New Customer connecting to a District-owned water main when such New Customer has not contributed to the cost of the water main either through an LUD assessment, other charge imposed by District policy, or through purchase of an individual parcel specifically for which the water main extension was originally installed. The DSC also applies to each New Customer within satellite systems in cases where the District has established a DSC for those systems.

Depending on the type of development, the DSC is calculated as either a standard charge per connection, or as a charge based on front footage. The DSC for various types of service is shown in Appendix B, Tables B-4 and B-5.

Payment of the DSC is required with regard to each of the following situations:

- (a) Whenever a new development or subdivision is to be connected to the District's water system and extension by the Applicant of a new or

replacement main across the entire frontage from which public access and utility service are taken is not required; or

- (b) Whenever a lot for which a DSC has been paid is subdivided, and additional water connections are made to serve the new lots created by subdivision. In such event, an additional DSC shall be collected from the Applicant for each New Customer connecting to the District's water system; or
- (c) Whenever a New Customer connects to a District main under an Interim Connection Agreement (ICA).

Where applicable, a DSC collected from a New Customer shall be paid as reimbursement to the third party who installed and paid for water main, in accordance with Section 3.3.9.

In the case of a New Customer connection to a water main installed through the LUD process, the DSC collected shall be paid as reimbursement to the District; the DSC shall be equal to the apportioned distribution system cost assessed to each participating LUD property, or the current DSC amount, whichever is greater.

3.3.9 Reimbursement Using the DSC

When a New Customer attachment is made to a water distribution main extension or replacement installed and paid for by a third-party, the DSC collected by the District from the New Customer, less five percent (5%) retained by the District for Administrative costs, may be paid over to such third-party as a partial reimbursement for costs of that main distribution extension or replacement installation. However, the following provisions shall apply:

- (a) DSCs collected by the District shall be paid by the District to the third-party installer for a period of ten (10) years from the date of acceptance of the subject water main extension or replacement, or until such time as the third-party installer is fully reimbursed for its actual cost of that portion of the water main extension to which the DSC applies,

whichever period is shorter. DSCs from New Customers attaching after such period shall be retained by the District.

- (b) Third-party reimbursements shall apply only with regard to water main extensions constructed by such third-party outside the established boundaries of any subdivision or property development for which the main extension was installed. The cost of a water main extension subject to reimbursement under this section shall include all appurtenances required and installed as a part of the water main extension.
- (c) Third-party reimbursements shall be made only for DSCs collected from New Customers whose connection is considered to be permanent by the District. DSCs collected from New Customers whose connection is considered Interim by the District, shall be retained by the District and applied to a future, permanent solution. Refer to section 3.6 for more information on Interim Connections.
- (d) Reimbursement shall be available only to third parties who have entered into an "Application/Agreement for Private Applicant Water System Extension" or a "Distribution System Charge Reimbursement Agreement" with the District, and shall be subject to all applicable policies of the District, including established DSCs.
- (e) Reimbursement shall be required only in situations where the District is reasonably able to locate the third party who installed the new or replacement water main. It is that person's responsibility to provide the District with updated contact information for the Reimbursement Agreement. If with reasonable diligence the District is unable to locate the third party who is entitled to the DSC payment within the ten-year reimbursement period, using information supplied by such person, the District shall retain the DSC, and any claim that person may have for reimbursement shall be extinguished.

3.3.10 Non-standard Engineering Fees

Engineering fees for non-standard engineering services shall be established in the manner described in Section 2.6.5 of this Policies and Procedures Manual for Non-standard Services.

3.3.11 Over-Sizing and Replacement

(a) The District may require over-sizing or replacement of existing facilities in conjunction with construction of an extension or improvement by an applicant. Such requirements may apply on, or adjacent to, a development or subdivision, or to facilities that are associated with the development, but "off-site." The sizing required for applicant-project needs alone will be based upon the District's Standards and Specifications (Appendix A), or upon hydraulic analysis acceptable to the District that has been conducted specifically for a proposed project.

(b) When a new development or subdivision has frontage on or abuts an existing District main or associated appurtenances (hydrants, pressure reducing valves, blow-off assemblies, air/vacuum relief valves, and water meters) and the District has determined in its sole discretion that any portion or all of such facilities are in need of replacement due to age, condition, substandard size or materials, or due to the likelihood of damage caused by construction of the development or sub-division improvements, the applicant shall replace such facilities without contribution from the District. If the District has determined in its sole discretion that the development will not impact or cause damage to other existing facilities on frontages from which the development is not taking direct service and the development is not required to make improvements along such frontages by the governmental agency with jurisdiction over the work, the applicant shall only be required to replace those facilities within the frontage from which it takes service. The applicant may be entitled to reimbursement for additional customers connecting to the replacement facilities in accordance with Section 3.3.9.

(c) Any new water system improvements installed for a development and located adjacent to or requiring extensions from an unfunded future proposed District project shown in the District's Comprehensive Water System Plan, and not included in the District's current Capital Improvement Program, shall be installed by the applicant to sizes shown in the Comprehensive Water System Plan with no over-sizing contribution from the District. The applicant may be entitled to reimbursement for additional customers connecting to the subject extension per Section 3.3.9.

(d) In cases where fire flows required by applicable land use plans have changed since the construction of the existing main, the applicant will be

responsible for the cost of upgrading the existing main to meet required flows established in the District's Standards and Specifications for Design and Construction or the current flow required by the local fire prevention authority, whichever is greater.

(e) Notwithstanding anything else in this Section, in the event that application of this policy would require the applicant to install a replacement main that in the determination of the District in its sole discretion should be installed at a later date or in conjunction with a different project, the applicant shall pay to the District in lieu of installation of such replacement main a Distribution System Charge in an amount as determined in Appendix B. Such sum shall be held by the District for partial reimbursement to a third party of its costs of later installation of any replacement main that would otherwise have been required under this Section. The DSC shall be utilized by the District as provided in Section 3.3.9; however, should the District later install the replacement main at its cost, then the District shall apply the DSC against its replacement main installation cost.

(f) If:

1) the District requires a) over-sizing of a main fronting the development or adjacent thereto (i.e., "off-site"); or b) replacement of a main which is "off-site" but is adjacent to the development; and

2) in the District's sole opinion such improvement can be conveniently completed in conjunction with other system improvements required of the applicant under these policies to accommodate District needs associated with but not directly resulting from the development;

Then in such event the District may, at its option, participate in the associated construction costs. The following guidelines will apply when the District requests such improvements and agrees to participate in payment of costs of over-sizing or replacement of facilities:

(i) Upon receiving an application for an extension or an improvement, the District will determine if over-sizing or replacement of District facilities is best accomplished in conjunction with construction of the proposed development. The District's Water System Plan, the

applicable land use plan, and existing system deficiencies will be the primary factors in making this determination.

- (ii) If over-sizing or replacement of such facilities is required, a pre-established reimbursement amount and time for reimbursement shall be negotiated between the District and the applicant and included in the Extension Agreement.
- (iii) The amount of reimbursement for over-sizing will be based generally on the following:
 - (1) Mains:
 - A. For pipes up to 4 inches larger in diameter than the District's design standard for the development/lot - reimbursable costs will consist of material cost differences for pipe, valves, and fittings.
 - B. For pipes greater than 4 inches larger in diameter than the District's design standard required to serve the development/lot - reimbursable costs will include increased material and construction costs (e.g. cost differentials for larger components, increased excavation, special bedding, testing, cleaning, etc.).
 - (2) Other Facilities: Contributions for providing larger or replacement facilities will be conducted on a case-by-case basis and are subject to negotiations between the District and the applicant.
- (iv) The methodology of reimbursement will be selected by the District at its sole discretion, and will be included in the Extension Agreement. Reimbursement methodology will normally be chosen from one of the following options:
 - (1) Payment to the applicant upon acceptance of the extension or improvement.
 - (2) Credit against funds otherwise owed by the applicant to the District.
 - (3) Deferred to the future for reimbursement in lump sum or by installment.
 - (4) A combination of the above.

- (v) Material invoices must be submitted to the District prior to acceptance of the project.

3.4 Design

3.4.1 Standards and Specifications

All water line extensions shall be designed and installed in accordance with the District's Standards and Specifications (Appendix A). However, strict application of the Standards and Specifications may be waived by the District in certain instances, in accordance with Section 1.4 of this Manual.

3.4.2 Extension of Mains along Property Frontages

In order to provide for continued extension of the District's system beyond properties currently developed or under development, Applicants will be required to extend water mains along frontages associated with parcels, subdivisions, or developments. At the District's discretion, an applicant may also be required to extend a main across the property being developed to facilitate looping of the system (per Section 3.4.3), in addition to extension along one or more frontages. In individual cases, the requirements for length and location of mains along such frontages shall be guided by the District's Comprehensive Water Plan. Depending on the circumstances, reimbursement may be available following main installation, under the District's policies for the Distribution System Charge (see Section 3.3.9).

Applicants will normally be required to install a main along the entire length of any and all general use (open generally to the development residents and their guests and invitees, whether or not deemed "private") roads or developed public rights-of-way abutting the property being developed and from which the development takes water service. If the District has determined in its sole discretion that the development will not impact or cause damage to other existing District facilities on frontages from which the development is not taking direct service and the development is not required to make improvements along such frontages by the governmental agency with jurisdiction over the work, the applicant shall only be required to replace facilities within the frontage from which it takes service.

In cases where the development's permanent access and permanent water utility distribution service line are not taken from the same general use road

or public right of way, the location of the permanent distribution service connection, as determined at the sole discretion of the District, shall be the frontage along which the District main will be extended.

At the District's option, the requirement for extension along a frontage may be modified or waived, provided that achievement of general policy goals and objectives of the District are not thereby impaired.

The District normally installs water mains on the north and east sides of a road or street. In some circumstances, therefore, the applicant will be required to install a water main across the street or road from the applicant's property.

3.4.3 Looping

Looping of water mains, at applicant cost, may be required in order to satisfy pressure, fire flow, and system hydraulic requirements. In addition, looping may be desirable to promote system reliability and water quality. The determination of looping requirements shall be at the sole discretion of the District and will not exceed 200 feet of main per looping situation. In determining whether looping is required, the following factors shall be considered:

- The length of main that will be needed solely for looping purposes;
- Topographical constraints;
- Effects of looping on system hydraulics;
- The need for easements solely to support looping;
- Expected future development in the area, based on the applicable land use plan, as updated from time to time, municipal comprehensive plans if applicable, the District's Comprehensive Water Plan, and other available information.

If a looping requirement is imposed solely to benefit other properties or the District's system generally, then the District will reimburse the Applicant for any required looping over 200 feet per looping situation. However, if the looping requirement also provides a direct benefit to the property in question (e.g. to meet required fire flows), then this limitation will not apply, and the

Applicant's responsibility will be determined by the District on a case-by-case basis.

3.4.4 Water System Fire Flow Requirements

Water system lines and extensions installed pursuant to other sections of this Policy to serve a new development shall be sized in accordance with the District's Standards and Specifications for Design and Construction. Such standards are based upon sound engineering and operational practices and shall provide to all new development lots not less than the following fire flows, or shall be at the level required by the local fire prevention authority, whichever is greater:

| <u>Lot Size</u> | <u>Fire Flow Requirements</u> |
|---------------------------------------|-------------------------------|
| a) Less than 1 acre | 1,000 gpm |
| b) Multi-family/commercial/industrial | 1,500 gpm |

For purpose of evaluating the sufficiency of fire flows, a "cluster development" shall be evaluated according to the effective size of the building lots, based upon the relative distances between residential construction.

3.4.5 Water System Flow Standards Not Altered by Sprinkler Systems

The District supports the local fire jurisdictions requirements for residential fire protection sprinkling systems. However, such systems will not provide a basis for altering the District's design standards.

3.5 General Construction Procedures

3.5.1 Technical Standards and Specifications

Construction practices shall be in accordance with the District's latest Technical Standards and Specifications (Appendix A). However, strict application of the Standards and Specifications may be waived in certain instances, in accordance with Section 3.1.2.

3.5.2 Approved Contractor

All line extensions and taps to the District's water system shall be installed only by a licensed contractor approved in advance by the District.

"Approval" of a contractor by the District means that the contractor has met certain minimum criteria relating to past performance, experience, or apparent ability to successfully perform the work required; it shall not be deemed to create or impose any warranty or guarantee by the District as to the said contractor or its workmanship, nor shall such approval relieve the customer or the contractor of their individual responsibility to comply in all respects with District policies and specifications.

3.5.3 Pre-Construction Conference

The Applicant shall schedule a pre-construction conference with the District and contractor after the Extension Agreement has been executed. The Contractor shall submit a materials list and a safety and traffic control plan, if needed, for District approval before or during this meeting.

3.5.4 Deviations

The approved Extension Agreement construction plans shall be followed. No deviations will be allowed without request for change and approval in writing by the Water Resources Assistant General Manager or his/her designee. The District reserves the right to order changes. The applicant shall be notified in writing of any changes.

3.5.5 Taps to Existing Main

All taps of a line to the existing main must be made by District crews or under direct supervision of the District personnel, with material supplied by the owner, contractor or the District. Payment must be made in advance for this work, and for any material required, if done by the District. Tapping an existing main without adhering to District requirements for advance notification shall result in a penalty being assessed against the applicant (see Appendix B, Table B-12).

3.5.6 Service Equipment

If the owner is also constructing houses and will construct and complete houses at a rapid rate, the District, at its option, may require the owner to install the meters and service equipment coincidental with the installation of the main, or install the service with a meter yoke for later installation of the

meter by the District. The service connection charge will be adjusted accordingly.

3.5.7 District Access

During the period of construction, applicants and their contractors will provide access to District personnel (including personnel on contract to the District) as necessary, to ensure compliance with District requirements.

3.6 Interim Connections

3.6.1 Introduction

In general, interim connections to the District's system shall be avoided. However, under certain circumstances overall District goals and objectives may be advanced by permitting connection to a District main or a non-District water system on an interim basis. Such an arrangement shall be permitted only when the District determines that the property in question will be served in the future by a District main abutting the property. The Assistant General Manager or his/her designee shall have the authority to allow an interim connection and administer an Interim Connection Agreement (ICA). The customer shall pay all of the costs and expenses associated with obtaining interim water service.

3.6.2 Interim Connection Agreement

Any interim connection will require an (ICA) to be executed between the customer and the District. The ICA will specify the terms and conditions for the interim connection. These may include, but are not limited to, provisions designed to facilitate financing and connection to a main, at the time a main abutting the property is subsequently installed and fees and charges associated with the initial installation of the temporary meter and the future abandonment of the temporary meter.

3.6.3 Fees and Charges

Prior to execution of the ICA by the District, the customer shall pay an Interim Connection Agreement Fee, Permit Fee, Service Connection Charge for installation of the temporary meter, a Service Connection Charge for the future installation of the permanent meter (which includes the cost of

installing a new meter and other facilities or equipment necessary to connect to the District's main if and when a main is installed abutting the property), and a Meter Abandonment Fee (which includes the cost of removing the temporary meter connection and disconnecting the service at the District's main). These fees are described in Appendix B.

Prior to execution of the ICA by the District, the applicant shall pay the applicable GFC DSC, and the cost to install a PRV (if necessary). These costs and fees are described in Appendix B.

3.6.4 Easements, Property Rights and Permits

The customer shall obtain and maintain all easements, property rights and/or permits which are necessary or appropriate for interim water service. The customer must provide documentation of same as part of the ICA.

3.6.5 Termination of Interim Service

Whenever a property temporarily served pursuant to an ICA can receive permanent service by connection to a newly extended District water main abutting the property, then the ICA will be terminated. The cost of relocating the temporary meter connection to the permanent location is included in the fees and costs paid by the customer upon initiation of the ICA. Relocation of the temporary meter connection to the permanent location may result in temporary loss of service. The customer will also be required to extend their personal water service line from the new location of the permanent meter to the home at their cost within sixty (60) days of receiving written notice from the District.

Table B-10
Miscellaneous Fees

| | | |
|----|---|---------------|
| 1 | Account Service Charge, <u>Includes Standard Turn-on for Snowbirds and Seasonal Users.</u> | \$10 |
| 2 | Same Day Turn-off/Turn-on During Business Hours* (due to nonpayment) (<u>Only one \$35 charge</u>) | \$35 |
| 3 | Key Box Installation | \$150 |
| 4 | Returned Check Charge | \$20 |
| 5 | Damage and Security Deposit for temporary water service (physical water service) | \$500 |
| 6 | Security Deposit for Residential Water Accounts | \$60 |
| 7 | Security Deposit Accrued Interest | Current Rate |
| 8 | Meter Abandonment Fee** | \$1,275 |
| 9 | Records Research Charge | Actual Cost |
| 10 | Meter Water Test | Actual Cost |
| 11 | Crew/Serviceman Standby (Customer Request) | Actual Cost |
| 12 | Damage from Addition of New Equipment | Actual Cost |
| 13 | Damage to District Property | Actual Cost |
| 14 | Disconnection, Non-routine | Actual Cost |
| 15 | Recording Fees | Actual Cost |
| 16 | Temporary Construction Fill Station | \$900 |
| 17 | Bulk Water Use Deposit (Key) | \$275 |
| 18 | Bulk Water Use Fee | |
| | Daily Permit, Limited to 2,500 gallons; or 334 cubic feet | \$35 |
| | Monthly Permit, Limited to 10,000 gallons; or 1,226 cubic feet | \$75 |
| | Six-Month Permit, Limited to 60,000 gallons; or 8,021 cubic feet | \$300 |
| 19 | After-Business Hours* Service Call | Actual Cost |
| | Customer Equipment Failure, Customer Request to Repair | Minimum \$150 |
| 20 | After-Business Hours* Connection for New Customer (<u>plus Account Service Charge</u>) | \$150 \$10 |
| 21 | After-Business Hours* Reconnection - Water | \$150 |

* Regular Business Hours: 8:00 am to 5:30 pm, Monday through Friday, excluding weekends and holidays.

** Subject to automatic annual adjustment based upon the change ratio of the Engineering News Record Construction Cost Index for the Seattle Area as reported for on a November to November calendar basis.

Table B-11
Engineering Service Fees

| | |
|---|-------------|
| Plan Review Fee - Two (2) Reviews | |
| Residential | \$250 |
| Non-residential | \$1,000 |
| Letter of Credit Processing Fee (for developer extensions | \$200 |
| Extension Agreement Fee | \$30/ERU |
| Booster Pump Agreement Fee | \$25 |
| County Right-of-Way Permit Fee | \$100 |
| Interim Connection Agreement Processing Fee | \$100 |
| LUD Petition Fee | \$100 |
| LUD Administration Charge | \$200 |
| LUD Feasibility Study | Actual Cost |
| Non-standard Services | Actual Cost |
| Satellite System Preliminary Feasibility Study | Actual Cost |
| Satellite System Full Feasibility Study | Actual Cost |
| Water Availability Letter | |
| General | \$25 |
| Fire Flow Model | \$200 |
| Fire Flow Test | \$300 |

Table B-12
Standard Penalties

| | |
|---|------------------|
| Unauthorized Taking of Water | Minimum of \$200 |
| Tampering with Equipment | Minimum of \$200 |
| Unauthorized Valve Operation | Minimum of \$200 |
| Tapping Main without Advance Notification | Minimum of \$200 |
| Customer Self-Connection or Reconnection | \$200 |
| Unauthorized Use of District Fire Hydrant | \$200 |
| Unauthorized Use of District Fill Station | \$200 |
| Failure to Appear at Dispute Hearing | \$70 |
| Late Request for a Continuance of Dispute Hearing | \$70 |

RESOLUTION NO. 5490

A RESOLUTION Authorizing the General Manager to Execute a Wholesale Water Agreement for the Sale of Water to the Twin Falls Water Company, Inc.

WHEREAS, the District entered into a Wholesale Water Agreement with the Twin Falls Water Company, Inc. (“Twin Falls”) to provide for the sale of water to the Twin Falls Water System, which agreement is now expiring; and

WHEREAS, Twin Falls continues to require a high-quality, dependable supply of water in order to serve its retail water service customers. In order to meet its water supply objectives, Twin Falls desires to continue to purchase water from the District on a wholesale basis for resale by that company to its water service customers; and

WHEREAS, the District’s Lake Stevens Integrated Water System has sufficient capacity to provide wholesale water supply to Twin Falls without impairing service to the District’s other retail and wholesale water service customers, and the District is willing and able to provide the desired water supply; and

WHEREAS, District staff and representatives of Twin Falls have reviewed the 2003 Wholesale Water Agreement and made revisions to clarify the conditions under which the District will continue to supply water to the Twin Falls Water System; and

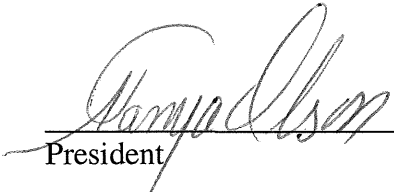
WHEREAS, District staff recommend that the District enter into a Wholesale Water Agreement substantially in the form attached as Exhibit A, attached hereto and incorporated herein by this reference, providing for the sale of water by the District to the Twin Falls Water Company, Inc. on a wholesale basis until the year 2020; and

WHEREAS, the Board of Commissioners finds that it is in the best interests of the District and its ratepayers for the District to sell water to Twin Falls on the terms and subject

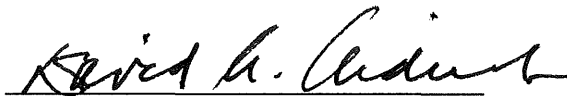
to the conditions set forth in the Agreement, and that the District's Lake Stevens Integrated Water System has sufficient supply and capacity to provide the requested water service throughout the term of the proposed agreement while meeting the needs of its other existing and anticipated retail and wholesale customers.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Public Utility District No. 1 of Snohomish County hereby approve the sale of water by the District to the Twin Falls Water Company, Inc. on a wholesale basis, and hereby authorize the District's General Manager to execute in the name and on behalf of the District a Wholesale Water Agreement with Twin Falls Water Company, Inc. substantially in the form set forth in Exhibit A hereto.

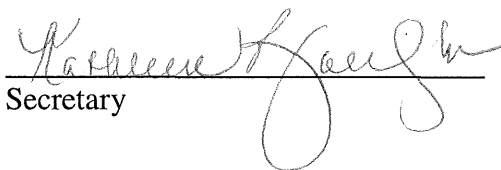
PASSED AND APPROVED this 7th day of April, 2010.



President



Vice President



Secretary

WHOLESALE WATER AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 2010, by and between Public Utility District No. 1 of Snohomish County, Washington (the "DISTRICT") and Twin Falls Water Company, Inc. ("TWIN FALLS") a "Group B" water system under WAC Chapter 246-290.

WHEREAS, TWIN FALLS wishes to purchase water wholesale from the DISTRICT for resale by TWIN FALLS to its Twin Falls Water System retail customers and the DISTRICT is willing to sell water wholesale to TWIN FALLS, for resale, under the terms of this Agreement,

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

Section 1 – Definitions

As used in this Agreement, the following words and phrases shall have the meanings indicated below unless the context shall clearly indicate that another meaning is intended.

- a) Cubic Foot shall mean a unit of measurement of water equal to 7.48 gallons.
- b) Equivalent Residential Unit ("ERU") shall mean the volume of water demand and use deemed and agreed by the District to be characteristic of a single family residential unit, and shall equal 0.55 gallons per minute (gpm) measured on the basis of peak day demand for purposes of residential, commercial or multi family connections.
- c) General Facilities Charge ("GFC") shall represent the proportionate share of the DISTRICT's cost of source, storage and transmission facilities necessary to supply an ERU. The General Facilities Charge shall be the same as that established for the DISTRICT's Integrated Water System, except as otherwise provided herein, and shall be subject to amendment by the Board of Commissioners from time to time.
- d) TWIN FALLS Water Service Area shall mean that area consisting of the "Twin Falls Development" described as follows:

Lots 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16, inclusive, of that record of survey as recorded under Auditor's file number 200111275007, records of Snohomish County, State of Washington.
- e) May shall mean permissive.
- f) Master Meter shall mean the water volume measuring device and appurtenances, in the DISTRICT's water main at the point of connection with the

Twin Falls Water System. The Master Meter site marks the location of delivery between the DISTRICT's water system and the Twin Falls Water System.

- g) Shall shall mean mandatory.

Section 2 - Delivery and Use of Water

- a) The DISTRICT shall continue delivery of wholesale water supply to the Twin Falls Water System under the terms and conditions of this agreement and the maintenance and annual testing of the required Washington State approved reduced pressure backflow assembly. All annual test results shall be forwarded to the DISTRICT.
- b) Wholesale water supply delivered to the Twin Falls Water System under this Agreement is intended for single-family residential domestic supply only, to serve not more than fourteen (14) total residential connections. TWIN FALLS may not serve more than 14 residential connections, nor may it serve non-residential connections, without written approval from the DISTRICT.
- c) Any additional capacity not achieved through the existing 1 ½" master meter would require payment of additional GFC's and installation of a larger meter.

Section 3 - Wholesale Water Rate and Billing

- a) The wholesale water rate to be paid by TWIN FALLS to the DISTRICT shall be per 100 cubic feet ("CCF") of water, delivered to the Twin Falls Water System at the Master Meter.
- b) Except as otherwise provided herein, the wholesale water rate to be paid by TWIN FALLS to the DISTRICT per CCF shall be as provided in the DISTRICT's Commercial Water Rate Schedule 13, as it may be amended from time-to-time.
- c) The period of billing for water supplied under this Agreement shall be bi-monthly, beginning with the month during which the Twin Falls Water System first uses water via the Master Meter. The Master Meter shall be read by the DISTRICT and the results recorded in accordance with the DISTRICT's applicable reading cycle. Billing to TWIN FALLS will be issued on or before the 10th day of each month following reading of the Master Meter. Payment to the DISTRICT shall become due within 30 days of issuance of the billing invoice. Collection of delinquent amounts shall be in accordance with DISTRICT policy. DISTRICT remedies for delinquency include but are not limited to disconnection of service.

Section 4 - Master Meter; Payment for Master Meter

- a) All water supply delivered by the DISTRICT to the Twin Falls Water System shall be delivered and measured through the existing Master Meter installed by the DISTRICT's crew in 2003. The line of demarcation and "point of delivery" between the DISTRICT and the Twin Falls Water System shall be immediately downstream of the 1-1/2" master meter and immediately upstream of the reduced pressure backflow assembly. The obligation for installation, ownership, annual testing and operation of the Washington State approved backflow assembly shall be solely that of TWIN FALLS.
- b) Access to the Master Meter and appurtenances shall be made available to TWIN FALLS at all reasonable times. The Master Meter shall be checked for accuracy on a frequency recommended by the meter manufacturer, as part of normal maintenance, and Master Meter test data shall be available to TWIN FALLS at all reasonable times, upon request.

Section 5 - Water Quality

The water supplied by the DISTRICT to TWIN FALLS under this Agreement shall meet all state and federal drinking water standards at the point of delivery to the Twin Falls Water System and shall be of the same standard and quality as that normally delivered by the DISTRICT to its retail customers. TWIN FALLS, to the extent allowed by law, shall be responsible for maintaining water quality beyond the point of delivery; and TWIN FALLS shall hold the DISTRICT harmless from and against any and all claims, losses, or damages arising from or relating to the introduction into its System of water or other substances beyond the point of delivery.

TWIN FALLS acknowledges that the DISTRICT has advised that water quality in the Twin Falls Water System may be adversely impacted by the use of unusually long distribution and service lines, and that depending upon Twin Falls Water System customer usage patterns, 1) the chlorine treatment provided by the DISTRICT to protect water in its distribution system may dissipate and become ineffective before reaching the point of residential use and consumption (the "tap"); and 2) chlorine in water with substantial storage time in the storage and distribution system may eventually combine with certain other materials in the water to develop treatment "by-products" or "residuals" which may exceed certain health standards before reaching the "tap." TWIN FALLS shall be solely responsible for operation and maintenance of its water system, including but not limited to any required system disinfection and flushing, in a manner which maintains potable water quality for its water service customers.

In consideration of the DISTRICT's agreement to provide water service to TWIN FALLS, TWIN FALLS hereby agrees to release, indemnify and hold the DISTRICT harmless from and against any and all claims, damages, injuries or

losses, whether physical or monetary, arising from or relating to the DISTRICT'S supply of water service to TWIN FALLS, to the extent any such claim, damage, injury or loss is caused by or results from conditions within the Twin Falls Water System or its failure to properly treat and maintain the quality of the water delivered to it by the DISTRICT.

Section 6 - Quantity, Pressure and Reliability

- a) The DISTRICT shall use best reasonable efforts to provide water to the Twin Falls Water System at hydraulic grade line elevations (in the absence of a fire flow or main break event) at a minimum of 500 feet above mean sea level at the point of delivery. The DISTRICT's system will have sufficient storage and hydraulic capacity to supply water at the rate that meets or exceeds the water carrying capacity of Twin Falls' non-fire flow distribution system, subject to conditions beyond the reasonable control of the DISTRICT. Per state Department of Health design standards, the maximum instantaneous demand flow for 14 residential connections is 31.4 gpm, which should minimally depress the existing grade line of the DISTRICT's water system.
- b) It shall be the sole obligation of TWIN FALLS to install and maintain such pressure reducing and pressure relief valves and appurtenances as may be needed to regulate the pressure to protect and to conform to the needs of the Twin Falls Water System and its water service customers. Multiple installation of both types of pressure control valves may be required at various locations in the Twin Falls System. Failure to install and maintain proper pressure control valves may result in damage to the TWIN FALLS Water System or customer water systems. The DISTRICT shall not be responsible for any loss or damage related to failure of TWIN FALLS to install and maintain all pressure control valves required for system and customer protection.
- c) The DISTRICT's system will be designed, maintained and operated by the DISTRICT in a manner consistent with municipal water system standards and applicable rules and regulations in order to provide maximum reliability of service to the Twin Falls Water System. However, it is understood and agreed that the DISTRICT can make no guarantee as to pressure, quantity or continuity of service because of the possibility of accidents or unforeseen failures to the DISTRICT's or City or Everett's water systems. Therefore, the DISTRICT shall not be held liable for losses or damage from a deficiency or failure to supply water due to accidents, acts of God, and any conditions beyond the reasonable control of the DISTRICT. In the event of an emergency or other necessity that may disrupt service to the Twin Falls Water System, the DISTRICT shall immediately notify TWIN FALLS through verbal or telephone contact, and shall restore service and make water available as soon as it can reasonably do so.

In the event of scheduled maintenance, alterations, extensions or connections, the District shall provide written notification to TWIN FALLS, and schedule such

work to minimize the potential impacts of disruption of service to the Twin Falls Water System

Section 7 - Resolution of Disputes

The parties may elect to submit any disputes to binding arbitration or other alternative dispute resolution measures agreeable to both parties. Disputes between the parties not submitted by mutual agreement to such alternative process shall be resolved by application to the Superior Court of the State of Washington, with venue in Snohomish County. This contract shall be enforced and interpreted in accordance with the laws of the United States and the State of Washington. The prevailing party in any dispute which proceeds to judgment in superior court shall be entitled to reasonable attorney fees and costs.

Section 8 - Term

This Agreement shall be effective from the date of execution by authorized representatives of both parties hereto and shall continue in effect through December 31, 2019. Upon expiration of this Agreement, the parties may negotiate and enter a new agreement for wholesale water supply. Such agreement shall be subject to DISTRICT policy in effect at such time.

This Agreement may be amended at any time upon mutual written agreement of the parties. Notice shall be given by certified mail to the official mailing address of each party.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed this _____ day of _____, 2010.

Public Utility District No. 1
of Snohomish County
PO Box 1107
Everett, WA 98206

Twin Falls Water Company, Inc.
~~PO Box 20098~~ 2606 - 2nd Ave. #506
Seattle, WA 98102 Seattle, WA 98121
email: tmstafne@aol.com

By: _____
Steven J. Klein, General Manager
Date: _____

By: Todd Stafne
Todd Stafne, President
Date: 02-09-10

APPROVED AS TO FORM:

By: _____
General Counsel

By: _____

RESOLUTION NO. 5491

A RESOLUTION Authorizing the General Manager to Execute a Wholesale Water Agreement for the Sale of Water to Iliad, Inc., d.b.a. Sudden View Water System

WHEREAS, the District entered into a Wholesale Water Agreement with the Iliad, Inc., d.b.a. Sudden View Water System (“Sudden View”) to provide for the sale of water to Sudden View, which agreement is now expiring; and

WHEREAS, Sudden View continues to require a high-quality, dependable supply of water in order to serve its retail water service customers. In order to meet its water supply objectives, Sudden View desires to continue to purchase water from the District on a wholesale basis for resale by that company to its water service customers; and

WHEREAS, the District’s Lake Stevens Integrated Water System has sufficient capacity to provide wholesale water supply to Sudden View without impairing service to the District’s other retail and wholesale water service customers, and the District is willing and able to provide the desired water supply; and

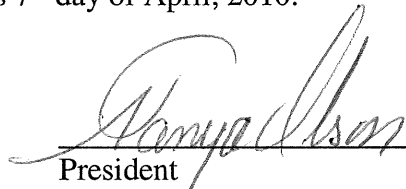
WHEREAS, District staff and representatives of Iliad, Inc., d.b.a. Sudden View Water System have reviewed the 2003 Wholesale Water Agreement and made revisions to clarify the conditions under which the District will continue to supply water to Sudden View; and

WHEREAS, District staff recommend that the District enter into a Wholesale Water Agreement substantially in the form attached as Exhibit A, attached hereto and incorporated herein by this reference, providing for the sale of water by the District to the Sudden View Water System on a wholesale basis until the year 2020; and


WHEREAS, the Board of Commissioners finds that it is in the best interests of the District and its ratepayers for the District to sell water to Sudden View on the terms and subject to the conditions set forth in the Agreement, and that the District's Lake Stevens Integrated Water System has sufficient supply and capacity to provide the requested water service throughout the term of the proposed agreement while meeting the needs of its other existing and anticipated retail and wholesale customers.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Public Utility District No. 1 of Snohomish County hereby approve the sale of water by the District to the Sudden View Water System on a wholesale basis, and hereby authorize the District's General Manager to execute in the name and on behalf of the District a Wholesale Water Agreement with Sudden View Water System substantially in the form set forth in Exhibit A hereto.


PASSED AND APPROVED this 7th day of April, 2010.



President



Vice President



Secretary

WHOLESALE WATER AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 2010, by and between Public Utility District No. 1 of Snohomish County, Washington (the "DISTRICT") and Iliad, Inc. d/b/a/Sudden View Water System ("ILIAD"), a Washington corporation.

WHEREAS, ILIAD wishes to purchase water wholesale from the DISTRICT for resale by ILIAD to its Sudden View Water System customers and the DISTRICT is willing to sell water wholesale to ILIAD, for resale, under the terms of this Agreement; and

WHEREAS, the DISTRICT and ILIAD have previously entered an Application/Agreement for Private Developer Water System Extension (the "Extension Agreement") whereby ILIAD, at its own expense, will cause a distribution water main to be installed to connect the DISTRICT'S integrated water system to ILIAD's Sudden View Water System, and such Extension Agreement remains fully in effect,

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

Section 1 – Definitions

As used in this Agreement, the following words and phrases shall have the meanings indicated below unless the context shall clearly indicate that another meaning is intended.

- a) Cubic Foot shall mean a unit of measurement of water equal to 7.48 gallons.
- b) Equivalent Residential Unit ("ERU") shall mean the volume of water demand and use deemed and agreed by the District to be characteristic of a single family residential unit, and shall equal 0.55 gallons per minute (gpm) measured on the basis of peak day demand for purposes of residential, commercial or multi family connections.
- c) General Facilities Charge ("GFC") shall represent the proportionate share of the DISTRICT'S cost of source, storage and transmission facilities necessary to supply an ERU. The General Facilities Charge shall be the same as that established for the DISTRICT'S Integrated Water System, except as otherwise provided herein, and shall be subject to amendment by the DISTRICT'S Board of Commissioners from time to time.

- d) ILIAD/Sudden View Water Service Area shall mean that area consisting of the "Sudden View Development" described as follows:

Lots 1 through 37 of survey, recorded under Auditor's File No. 7810040163, records of Snohomish County, Washington. Being a portion of Section 20, Township 31 North, Range 6 East, W.M., Snohomish County, Washington. TOGETHER with Lots 1 through 7 of survey, recorded under Auditor's File No. 7907230156, records of Snohomish County, Washington. Being located in the Southeast quarter of the Southeast quarter of Section 18, Township 31 North, range 6 east, W.M., Snohomish County, Washington. TOGETHER with Lots 24 and 15 of survey, recorded under Auditor's File No. 7612020124, records of Snohomish County, Washington. Being a portion of the Southwest quarter of the Southwest quarter of section 17, Township 31 North, range 6 East, W.M., Snohomish County, Washington.

- e) May shall mean permissive.
- f) Master Meter shall mean the water volume measuring device and appurtenances, including a rate of flow control valve placed in the DISTRICT's water main at the point of connection with the Sudden View Water System. The Master Meter shall be located on 123rd Avenue NE at a site approximately 1100 feet north of the intersection of 172nd Street NE and 123rd Avenue NE. The Master Meter site marks the location of delivery between the DISTRICT's water system and the Sudden View Water System.
- g) Shall shall mean mandatory.

Section 2 - Delivery and Use of Water

- a) The DISTRICT shall continue delivery of wholesale water supply to the Sudden View Water System through the Master Meter subject to the following conditions:
- i) ILIAD shall ensure that the Sudden View Water System remains disconnected from its ground water source of supply; and
 - ii) Annual testing and continued maintenance of a Washington State approved double check backflow assembly immediately downstream of the Master Meter. All annual tests results shall be forwarded to the District.
- b) Wholesale water supply delivered to the Sudden View Water System under this Agreement is intended for single-family residential domestic supply only, to serve an anticipated forty-eight (48) total number of residential connections. GFCs have been established by the DISTRICT based upon an assumption that each connection shall equal one ERU. ILIAD may not serve more than 48 residential connections, nor may it serve non-residential connections, without written approval of the DISTRICT. ILIAD shall notify the DISTRICT in advance should it intend to attach any non-residential customer to the Sudden View Water System so the DISTRICT may determine the correct ERU classification for any such connection and re-calculate the GFC amount due the DISTRICT.

Section 3 - Wholesale Water Rate and Billing

- a) The wholesale water rate to be paid by ILIAD to the DISTRICT shall be per 100 cubic feet ("CCF") of water, delivered to the Sudden View Water System at the Master Meter.
- b) Except as otherwise provided herein, the wholesale water rate to be paid by ILIAD to the DISTRICT per CCF shall be as provided in the DISTRICT's Water Commercial Rate Schedule 13, as it may be amended from time-to-time.
- c) The period of billing for water supplied under this Agreement shall be bi-monthly, beginning with the month during which the Sudden View Water System first uses water via the Master Meter. The Master Meter shall be read by the DISTRICT and the results recorded in accordance with the DISTRICT's applicable reading cycle. Billing to ILIAD will be issued on or before the 10th day of each month following reading of the Master Meter. Payment to the DISTRICT shall become due within 30 days of issuance of the billing invoice. Collection of delinquent amounts shall be in accordance with DISTRICT policy. DISTRICT remedies for delinquency include but are not limited to disconnection of service.

Section 4 - General Facilities Charge; Payment of Total GFC

- a) The GFC for ILIAD shall be Three Thousand Thirty Five dollars (\$3,035) per ERU in 2010, and shall be subject to adjustment by the Board of Commissioners from time to time.
- b) The "Total GFC" that remains unpaid to the DISTRICT by ILIAD for attachment of the Sudden View Water System to the DISTRICT's integrated water system shall be equal to the applicable GFC amount multiplied by twenty-six (26) ERUs.
- c) The GFCs due the DISTRICT hereunder for each of the remaining twenty-six (26) residential service connections shall be paid to the DISTRICT by ILIAD as each additional service connection to the Sudden View Water System is made. Each GFC payment shall be delivered to the DISTRICT no later than ten (10) days following hook-up by ILIAD of a new service connection.
- d) ILIAD shall supply the DISTRICT an annual report by January 15th of each year detailing the current customer list including name, address, phone number, and date attached to the Sudden View Water System. If ILIAD fails to submit the required report, a 30% (thirty percent) surcharge shall be added to its bi-monthly billing beginning with the first billing after the January 15th deadline and continuing until the completed report has been submitted.
- e) In the event that a connection is made to the system without the required GFC payment detailed in Section d) above, ILIAD shall be directly obligated to pay the sum due plus interest at the rate of 12% (twelve percent) per annum from and

after the date that the new, unpaid connection was made. The DISTRICT shall use the annual report supplied by ILIAD and the DISTRICT's electrical customer database to assist in determining whether an unpaid connection was made to the system.

- f) Should ILIAD fail to produce the required annual report upon more than one occasion; or should ILIAD fail to pay when due each required GFC payment, then the DISTRICT may declare ILIAD in default and all remaining GFC payment amounts shall become due and payable upon declaration of default.
- g) All payments due under this Agreement shall be deemed delinquent if more than ten (10) days past due. Delinquent GFC payment amounts and unpaid service billings shall accrue interest on the unpaid balance, from the date of delinquency until paid, at the rate of 1% per month, or 12% per year.
- h) Should a commercial or multi-family connection be made to the Sudden View Water System, a GFC shall be collected based upon such classification; the total number of GFCs due shall be adjusted accordingly.
- i) GFC payments made to the District are non-refundable.

Section 5 - Master Meter; Payment for Master Meter

- a) All water supply delivered by the DISTRICT to the Sudden View Water System shall be delivered and measured through the Master Meter installed by ILIAD in May, 2004. The line of demarcation and "point of delivery" between the DISTRICT and ILIAD shall be immediately downstream of the Master Meter and immediately upstream of the double check backflow assembly. The obligation for installation, ownership, annual testing and operation of the Washington State approved backflow assembly shall be solely that of ILIAD.
- b) Access to the Master Meter and appurtenances shall be made available to ILIAD at all reasonable times. The Master Meter shall be checked for accuracy on a frequency recommended by the meter manufacturer, as part of normal maintenance, and Master Meter test data shall be available to ILIAD at all reasonable times, upon request.

Section 6 - Water Quality

The water supplied by the DISTRICT to ILIAD under this Agreement shall meet all state and federal drinking water standards at the point of delivery to the Sudden View Water System and shall be of the same standard and quality as that normally delivered by the DISTRICT to its retail customers. ILIAD, to the extent allowed by law, shall be responsible for maintaining water quality beyond the point of delivery; and ILIAD shall hold the DISTRICT harmless from and against any claims, losses, or damages arising from or relating to the introduction into its System of water or other substances beyond the point of delivery.

Section 7 - Quantity, Pressure and Reliability

- a) The DISTRICT shall use best reasonable efforts to provide water to the Sudden View Water System at hydraulic grade line elevations (in the absence of a fire flow or main break event) at a minimum of 600 feet above mean sea level at the point of delivery. The DISTRICT's system will have sufficient storage and hydraulic capacity to supply water at the rate that meets or exceeds the water carrying capacity of Sudden View's non-fire flow distribution system, subject to conditions beyond the reasonable control of the DISTRICT. Per Washington State Department of Health design standards, the maximum instantaneous demand flow for 48 residential connections is 103.1 gpm, which should minimally depress the existing grade line of the DISTRICT's water system.
- b) It shall be the sole obligation of ILIAD to install and maintain such pressure reducing and pressure relief valves and appurtenances as may be needed to regulate the pressure to protect and to conform to the needs of the Sudden View Water System distribution system and its water service customers. Multiple installation of both types of pressure control valves may be required at various locations in the Sudden View System. Failure to install and maintain proper pressure control valves may result in damage to the Sudden View Water System or customer water systems. The DISTRICT shall not be responsible for any loss or damage related to failure of ILIAD to install and maintain all pressure control valves required for system and customer protection.
- c) The DISTRICT's system will be designed, maintained and operated by the DISTRICT in a manner consistent with municipal water system standards and applicable rules and regulations in order to provide maximum reliability of service to the Sudden View Water System. However, it is understood and agreed that the DISTRICT can make no guarantee as to pressure, quantity or continuity of service because of the possibility of accidents or unforeseen failures to the DISTRICT's or City of Everett's water systems. Therefore, the DISTRICT shall not be held liable for losses or damage from a deficiency or failure to supply water due to accidents, acts of God, and any conditions beyond the reasonable control of the DISTRICT. In the event of an emergency or other necessity that may disrupt service to the Sudden View Water System, the DISTRICT shall immediately notify ILIAD through verbal or telephone contact, and shall restore service and make water available as soon as it can reasonably do so.

In the event of scheduled maintenance, alterations, extensions or connections, the District shall provide written notification to ILIAD, and schedule such work to minimize the potential impacts of disruption of service to the Sudden View Water System

Section 8 - Resolution of Disputes

The parties may elect to submit any disputes to binding arbitration or other alternative dispute resolution measures agreeable to both parties. Disputes between

the parties not submitted by mutual agreement to such alternative process shall be resolved by application to the Superior Court of the State of Washington, with venue in Snohomish County. This contract shall be enforced and interpreted in accordance with the laws of the United States and the State of Washington. The prevailing party in any dispute which proceeds to judgment in superior court shall be entitled to reasonable attorney fees and costs.

Section 9 - Term

This Agreement shall be effective from the date of execution by authorized representatives of both parties hereto and shall continue in effect through December 31, 2019. Upon expiration of this Agreement, the parties may negotiate and enter a new agreement for wholesale water supply. Such agreement shall be subject to DISTRICT policy in effect at such time.

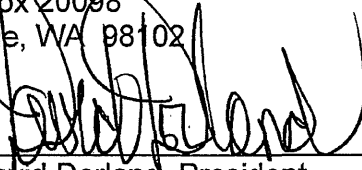
This Agreement may be amended at any time upon mutual written agreement of the parties. Notice shall be given by certified mail to the official mailing address of each party.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed this _____ day of _____, 2010.

Public Utility District No. 1
of Snohomish County
PO Box 1107
Everett, WA 98206

ILIAD Inc., d/b/a Sudden View
Water System
PO Box 20098
Seattle, WA 98102

By: _____
Steven J. Klein, General Manager
Date: _____

By: 
David Dorland, President
Date: 3/3/2010

APPROVED AS TO FORM:

By: _____
General Counsel

By: _____

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1102 BROADWAY PLAZA, SUITE #401
TACOMA, WA 98402
www.murraysmith.us