FIXED BLOCK

WATER SUPPLY AGREEMENT BETWEEN

THE CITY OF SEATTLE

AND

UTILITY DISTRICT

11-2-04

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FIXED BLOCK

WATER SUPPLY AGREEMENT BETWEEN

THE CITY OF SEATTLE

AND

_____ UTILITY DISTRICT

This Agreement between the City of Seattle ("Seattle"), a municipal corporation, and _____ Utility District (_____), a municipal corporation and a special purpose district formed under authority of Chapter 57.04.020 RCW, is dated this ___ day of December, 2004 to be effective January 1, 2005.

Whereas Seattle is a regional water supplier currently providing service to numerous water utilities in King and Snohomish Counties in Washington; and

Whereas _____ Utility District was formed for the purpose of providing water service to its commercial, industrial and residential customers; and

Whereas _____ Utility District desires to enter into an agreement for water supply with Seattle;

Now therefore, Seattle and _____ agree to the following terms and conditions for the provision and purchase of a fixed block water supply.

ARTICLE I - AGREEMENT

1. 1 Seattle agrees to sell to _____ and _____ agrees to purchase from Seattle, according to the terms of this Agreement, a wholesale supply of water and the transmission capacity sufficient to deliver such water supply to _____.

1. 2 This contract shall take effect upon the signature of both parties and shall remain in effect until 12:01 AM on January 1, 2062. The expiration date of this contract is intended to be coincident with the expiration date of certain other SPU wholesale contracts.

1. 3 At the end of the term of this agreement, _____ shall have a right of first refusal to continue to purchase the amount of water then purchased from Seattle at the time of contract expiration. Further, Seattle agrees to offer to supply _____ an amount of water equal to the amount of water supplied under this agreement, subject to terms and conditions to be negotiated consistent with Seattle pricing policies in effect at that time.

1. 4 Apart from the contract right to purchase water from Seattle under the terms of this Agreement, _____ has no right or claim to the Seattle Water System or to any water right or claim held by Seattle.

ARTICLE II - DEFINITIONS

"1% Water Conservation Program" - A program which has been implemented by Seattle with the agreement of _____ which contains a goal of 1% conservation per year for ten years

Average Daily Demand ("ADD"). The amount of water supplied by the Seattle Water System to _____ in a calendar year (in MG) divided by the number of days in that calendar year.

AWWA. American Water Works Association.

Cascade Block. The total amount of water Seattle commits to supply Cascade in a particular contract year under its wholesale supply agreement.

Cascade. Cascade Water Alliance – a non-profit corporation formed under the authority of Chapter 39.030 RCW for the purpose of providing water supply to its members. It has a 50-year declining block water supply agreement with Seattle.

De-Rating Event. An order of a State or Federal regulatory agency with appropriate jurisdiction, state or federal laws, updated data utilized in the hydraulic model used to calculate Firm Yield, or other action deemed necessary to protect and maintain the integrity of the system that reduces Seattle's modeled estimate of Firm Yield.

Existing Supply. Seattle Supply System assets as listed in Exhibit III.

Existing Transmission. Seattle Transmission System assets as listed in Exhibit IV.

Firm Yield. The estimated amount of water that Seattle's Supply System can provide according to Seattle's supply reliability standard and expressed in annual average MGD. For purposes of this contract, Seattle's Firm Yield is 171 MGD, unless modified pursuant to Section 3.2.

Management Agreement. A written agreement, pertaining to subjects authorized by this Agreement, between the Director, Seattle Public Utilities, and the General Manager, _____ Utility District.

MG. Million gallons.

MGD. Million gallons per day.

_____Block. The total amount of water Seattle commits to supply _____ in a particular contract year under this Agreement as more fully expressed in Article III. Unless modified pursuant to Article III, the _____ Block equals 8.55 MGD of ADD.

_____Volume Charge. In any year, the _____ Volume Charge is the average cost to _____ of each million gallons of water in the _____ Block. The _____ Volume Charge shall be calculated by dividing the projected annual cost of the _____ Block, as described in Section 8.10.B, by the product of the _____ Block and 365 (or 366 for a leap year).

_____Water System. All physical, contractual and real property assets owned, held and/or operated by _____ useable in connection with the provision of water supply and customer service.

Party (ies). Seattle and/or _____, as well as their respective successors and assigns.

Peak Month. The consecutive thirty- (30) day period during a calendar year in which _____ puts its maximum demand upon the Seattle Water System.

Peak Season. June 1 through September 30 of the same calendar year.

Points of Delivery. Specific metered delivery locations at which Seattle provides a defined level of service.

Purveyor Balance Accounts. Accounts maintained by Seattle under the terms of the 1982 Water Purveyor Contract, Version A or B.

Rate of Return on Investment. The average cost of debt of the Seattle Water System plus 1.5 percent.

Seattle's Regional Water Conservation Programs. Conservation programs paid for by SPU and delivered on a regional basis in accordance with Article VI.

Seattle Water System. The Seattle Supply System as listed in Exhibit III and the Seattle Transmission System as listed in Exhibit IV together comprise the Seattle Water System.

"Seattle Water System Operating Board" (Operating Board) – A board of representatives having the powers and duties set forth in Article IX hereof

System-wide ADD. System-wide Demand of a particular calendar year in MG, divided by the number of days in that same calendar year.

System-wide Demand. The total volume of water delivered to all (wholesale and retail) users supplied by the Seattle Water System, for a specified period of time, in MG.

System-wide Peak Month Factor. (System-wide Demand during Peak Month of a particular year divided by 30 days) divided by System-wide ADD of the same year.

System-wide Peak Season Factor. (System-wide Demand during Peak Season of a particular year divided by 122 days) divided by System-wide ADD of the same year.

System-wide Utilization Rate. System-wide Demand for a particular year divided by 365 days (366 days for leap year) divided by Firm Yield for the same year.

Seattle Wholesale Customer. Those customers who have a written agreement with Seattle to receive a wholesale level of water service for the purposes of reselling to others.

ARTICLE III - SUPPLY

3.1 Each calendar year from the effective date of this Agreement through December 31, 2061, Seattle shall make available to _____ an Average Daily Demand equal to the _____ Block.

3.2 Subsequent to a De-Rating Event, the _____ Block shall be reduced as follows at the option of Seattle:

(A). in direct proportion to the reduction in Firm Yield;

(B). in order to make the prospective utilization rate of the _____ Block equal to the prospective utilization rate of the Seattle Supply System. The average ADD for the 5-year period immediately preceding the De-Rating Event ("Historic _____ ADD") and the average System-wide ADD for the same 5-year period (Historic Supply ADD) will be used to re-size the _____ Block. The reduced size of the _____ Block shall be Historic _____ ADD multiplied by the revised Firm Yield and divided by Historic Supply ADD;

(C). no reduction.

In no event shall the _____ Block be smaller than 4.4% of the post-reduction Firm Yield. _____ shall be notified of any potential change in Firm Yield as far in advance as possible, but in no event less than 180 days prior to the effective date of an adjustment to Firm Yield that affects the _____ Block. Seattle

shall exercise its option to reduce the _____ Block in writing within ninety (90) days of a De-Rating Event.

3.3 If a De-rating Event results in a _____ Block of 7.7 MGD or less, or if Seattle exercises its option under Section 3.2 B to reduce the _____ Block, then _____ shall have the right to reduce the size of the _____ Block within the first 10 years of the De-rating event, provided _____ gives a 5-year notice of its intention and the size of the reduction in writing.

3.4 Seattle will supply _____ during the Peak Season and Peak Month as follows:

(A). During the Peak Season, _____'s average daily demand shall not exceed 1.056 multiplied by System-wide Peak Season Factor multiplied by the _____ Block. Seattle shall not be required to supply more than 1.40 times the _____ Block during Peak Season.

(B). During the Peak Month, _____'s average daily demand shall not exceed 1.131 multiplied by the System-wide Peak Month Factor multiplied by the _____ Block. Seattle shall not be required to supply more than 1.75 times _____ Block during the Peak Month.

3.5 (A). If only a portion of _____'s service area and service responsibilities are assumed or transferred to another utility, the _____ Block shall be reduced in proportion to the average consumption statistics for the past ten years of the service area so transferred.

(B). If the transferee of the service area is a Wholesale Customer of Seattle, Seattle shall provide water to the transferee according to the terms of the transferee's water supply contract with Seattle. If the transferee is not a Wholesale Customer then Seattle shall issue the transferee a water supply agreement for such area subject to terms and conditions, as Seattle shall determine.

(C). If a portion or the entire service area of another Seattle Wholesale Customer is assumed or transferred to _____, the _____ Block shall be expanded. The _____ Block expansion shall be in an amount equal to the estimated highest annual demand during the last ten years of the assumed or transferred service area, but not to exceed 5 MGD. In addition, Seattle has the option of increasing said _____ Block expansion so that the utilization rate of the expansion matches the System-wide Utilization Rate. Seattle shall exercise this option within ninety (90) days of an assumption or transfer.

(D). Up to 0.2 MGD of the _____ Block may be used to serve other areas acquired through annexations, assumption or transfers from other utilities, within the designated place of use of Seattle's water rights, certificates, or claims, without the prior approval of Seattle.

3.6 Except as provided for in Section 3.5 C and D above, all water supplied to _____ under this Agreement is for the purpose of re-sale within _____'s service area boundary as defined by its Department of Health approved Water System Plan and agreement with adjacent public water systems at time of Agreement signing. Additionally, water supplied under this Agreement must be used within the designated place of use of Seattle's water certificates, permits, or claims.

3.7 _____ may not deliver water supplied by Seattle to other water purveyors located outside of _____'s existing or future boundaries without prior written consent of Seattle (or oral, in case of emergency).

3.8 For the purpose of determining the consecutive 30-day period, which constitutes the Peak Month, a daily average delivery may be calculated so long as meter readings used for that purpose occur no fewer than 26 days apart. In such cases, daily average delivery shall be calculated by dividing the total deliveries by the actual number of days between meter readings. Periods less than 26 days shall not be applicable for determining the Peak Month.

3.9 Daily average delivery during the Peak Season may be calculated using meter readings taken closest to June 1 and September 30 each year and dividing the total delivery during such time by the actual number of days between meter readings. Periods less than 110 days shall not be applicable for determining the Peak Season.

3.10 Seattle shall endeavor to read the meters at all Points of Delivery on the same day. In the event that meters at all Points of Delivery cannot be read on the same day, all meter reads for that metering period shall be considered to occur on the day on which the meters measuring the majority of the _____ volume for that metering period were read. In the event that the meter readings for _____ take place over a period exceeding 48 hours, Seattle shall prorate the volume measured at each meter to estimate consumption during the peak month and the peak season.

3.11 Normal operation of the water system includes the periodic shutdown of various facilities for routine maintenance, rehabilitation and replacement. Seattle and _____ shall cooperate in the timing of such activities. _____ shall not use such activities as evidence of the unavailability of supply or transmission services provided by Seattle under this Agreement so long as Seattle proceeds in good faith to restore such facilities to service.

3.12 Nothing in this Agreement, including but not limited to, any penalties for exceeding the supply limits described in Section 3.4 shall be construed to require Seattle to sell or deliver water in excess of the following amounts:

(A). Total deliveries during a calendar year in the amount of the _____ Block multiplied by 365 days (366 in leap years);

(B). Total deliveries during the Peak Season in the amount of the _____ Block times 1.056 times System-wide Peak Season Factor times 122 days;

(C). Total deliveries during the Peak Month in the amount of the _____ Block times 1.131 times the System-wide Peak Month Factor times 30 days;

(D). Total deliveries during any consecutive 30-day period from October 1 to May 30 in the amount of the _____ Block multiplied by 30 days multiplied by one hundred ten percent (110%);

(E). Total deliveries during any consecutive 7-day period in the amount the _____ Block multiplied by 13 days;

(F). Total deliveries within any one-day period in the amount of the _____ Block multiplied by 2 days.

Upon notice by Seattle of exceedance of these limits, _____ must immediately reduce its deliveries of Seattle water. Upon the failure of _____ to reduce its demand, Seattle may install and operate devices that limit deliveries to _____ to these amounts, all at _____'s expense. In the event that Seattle is no longer allowed to install and operate devices that limit the deliveries to _____ as described above as a result of legislative action or court order, Seattle can determine the price of water deliveries in excess of Seattle's obligations under this Agreement at its discretion.

ARTICLE IV - TRANSMISSION

4.1 Each calendar year during the term of this Agreement, Seattle shall sell to _____ and _____ shall purchase from Seattle capacity in the Seattle Transmission System according to the following terms and conditions:

(A). Seattle shall provide capacity sufficient to supply the _____ Block to _____ at _____'s Points of Delivery. Adjustments in the _____ Block shall result in an equivalent adjustment in Seattle's Transmission capacity commitment. The specific Points of Delivery that are to be adjusted and the adjustment for each Point of Delivery shall be

determined by Management Agreement so long as a determination is made that there is no adverse impact on the overall Seattle Water System.

(B). Points of Delivery are identified in Exhibit II. The location, hydraulic gradient and instantaneous flows at each Point of Delivery may be changed by Management Agreement.

(C). Seattle shall supply water at the inlet side of each Point of Delivery meter at a hydraulic gradient no less than the minimum identified in Exhibit II and with an instantaneous flow rate not to exceed that Point of Delivery's peak day demand as set forth in the same Exhibit. Seattle may change the minimum hydraulic gradient at any Point of Delivery once during any fifteen-year period, provided that four years prior notice is given to _____. Under emergency conditions or other unusual short-term operating situations, Seattle shall not be obligated to meet minimum hydraulic gradients.

(D). _____ may request additional Points of Delivery from the Seattle Transmission System, which Seattle may approve or reject at its sole discretion. Seattle shall establish the minimum hydraulic gradient for any new Point of Delivery at its sole discretion, after consultation with _____. Changes in Points of Delivery shall be determined by Management Agreement.

(E). No provision of this Agreement shall be construed to require Seattle to provide more than the instantaneous flow identified in Exhibit II. Upon notice by Seattle, _____ shall immediately reduce _____ deliveries at a Point of Delivery to not more than those identified in Exhibit II. In the event that _____ is unwilling or unable to reduce deliveries as required under this provision, Seattle may install and operate flow-restricting devices at non-compliant points of delivery, all at _____ expense.

4.3 Nothing herein shall restrict _____'s authority to:

- construct an independent water transmission system for its own water supply, or,
- develop additional independent supply source(s).

4.4 _____ has interties, listed in Exhibit I, with adjacent water utilities. If new interconnections are required or proposed, such arrangements shall be defined in an agreement to be entered into by _____ and Seattle

ARTICLE V - WATER QUALITY

Seattle shall be responsible for water quality within the Seattle Water System, and it shall supply water to _____ that meets or exceeds federal and state drinking water quality standards, as those standards may change from time to time.

5. 1 System-wide Water Quality Plan. Seattle, in consultation with the Operating Board, shall develop and maintain a system-wide regional water quality plan. The plan shall describe, at a minimum, goals, objectives, procedures and the means to satisfy legal requirements and industry standards for water quality, monitoring, information exchange, best management practices, adaptive management practices, public health protection, and cross connection control. Seattle shall share available water quality data and technical expertise with all Wholesale Customers.

5. 2 Distribution Systems. _____ shall be responsible for compliance with all applicable federal, State and local water quality laws and regulations applicable to water in its distribution system including any water from supply sources that it may own or operate. Water from _____'s distribution system shall not enter the Seattle Regional Transmission system at any time unless waived by Seattle.

5. 3 Monitoring. Water quality monitoring shall be performed by Seattle in the Seattle Water System and in _____'s distribution system to the extent required to satisfy Seattle's regulatory reporting requirements for the Seattle Water System including regulatory regional water quality monitoring plans that encompass Seattle and _____. Seattle shall report the results of such monitoring to _____ so that _____ may comply with federal, State and local water quality regulations, to verify the condition of water that is passing from one entity to the other, to enhance system operation and to document the aesthetic qualities of the water.

5. 4 Water Quality Notifications to Customers (Consumer Confidence Reports). Each party shall prepare at its sole cost, periodic water quality notifications to its respective retail customers and regulatory agencies as required by law. Seattle shall provide _____ all water quality data in a timely manner regarding the Seattle Water Supply System that _____ may be legally required to report in such notices.

ARTICLE VI - CONSERVATION

Each Party is committed to the principles of water conservation. _____ will participate in Seattle's Regional Water Conservation Programs as they exist today in the form of the 1% program or in the future as determined by the Operating Board.

ARTICLE VII - PLANNING AND SHORTAGE MANAGEMENT

7.1 Each Party recognizes its obligation to plan for water supply and distribution in compliance with the Washington State Department of Health water system planning regulations. Each Party shall develop a water system plan for its service area and the Parties shall coordinate those elements of overlapping responsibilities.

7.2 _____ and Seattle shall coordinate the development, adoption and implementation of their respective Water Shortage Management Plans. _____ shall observe and comply with Seattle's requests for usage restrictions or curtailment during a shortage pertaining to water supply provided under this Agreement. Before invoking its Water Shortage Management Plan, the Parties shall communicate with each other concerning current and projected water supply conditions.

7.3 Seattle has negotiated agreements with federal agencies, state agencies and tribes for the long-term preservation and enhancement of watersheds and in-stream beneficial uses and habitat. Such agreements have direct bearing on decisions to curtail the amount of water available for municipal and industrial water supply in any given season. Any water use restrictions imposed under the terms of such agreements shall be borne proportionately by Seattle, its other wholesale customers, and _____ with respect to the size of the _____ Block at the time curtailment is required.

7.4 Seattle shall only invoke a Water Shortage Management Plan in the event of a drought or emergency.

ARTICLE VIII - COST RECOVERY

8.1 The provisions of this Article shall apply to the establishment of fees and charges for water supply and related services beginning January 1, 2005. Prior to that date, the pricing provisions of _____'s 1982 water supply contract with Seattle shall be maintained.

8.2 For the purposes of allocating costs of water supply, there shall be two water supply cost pools consisting of an existing Seattle water supply assets cost pool ("Existing Supply Cost Pool") and a new Seattle water supply assets cost pool (the "New Supply Cost Pool").

(A). Existing Supply Cost Pool. The costs of infrastructure, including operation, maintenance, repair and replacement of Seattle Supply System Facilities listed in Exhibit III shall be included in the Existing Supply Cost Pool

(B). New Supply Cost Pool. The costs of water supply resources developed in the future ("New Supply Resources") that expand the capacity of the Seattle Supply System shall be included in the New Supply Cost Pool. If any portion of a New Supply Resource project enhances reliability of Existing Supply resources, the costs thereof may be allocated to the Existing Supply Cost Pool by Management Agreement.

8.3 For purposes of determining the cost of the transmission of water to the Wholesale Customers there shall be two transmission cost pools consisting of an existing transmission cost pool ("Existing Transmission Cost Pool") and a new transmission cost pool ("New Transmission Cost Pool").

(A). Existing Transmission Cost Pool. Costs to be allocated to the Existing Transmission Cost Pool shall consist of the following: operation, maintenance, repairs and replacements to the Seattle Transmission System Facilities listed in Exhibit IV. Costs incurred for purposes of transmission reliability may be included in the Existing Transmission Cost Pool by Management Agreement.

(B). New Transmission Cost Pool. The cost of new transmission facilities shall be included in the New Transmission Cost Pool. A portion of the renewal, replacement or modification of Existing Transmission facilities which create an expansion of transmission capacity may be allocated to the New Transmission Cost Pool.

8.4 Conservation For purposes of allocating the Seattle Regional Water Conservation Program costs to _____ there shall be a Conservation Cost Pool. Seattle's Regional Conservation Program costs shall include the costs of the 1% Water Conservation Program from December 31, 2001 through 2010, as well as any other conservation program that delivers services to a regional service area, including the _____ service area, and whose costs are recovered through the adopted wholesale rates or fees of SPU.

8.5 (A). If Seattle determines that changing the location of _____ Points of Delivery is required for the improved operation of the Seattle Transmission System, then such costs shall be included in the Existing Transmission Cost Pool. Seattle shall notify _____ of any proposed changes to a _____ Point of Delivery and consult with _____ to ensure minimal impact on _____'s distribution system and appropriate coordination of operation and construction activities.

(B). The costs of replacing, relocating, maintaining or improving _____ Points of Delivery for any reason other than that described in the preceding paragraph shall be borne by _____ regardless of the cause, provided that such cause is consistent with AWWA and safety standards and practices.

Costs will be invoiced and due in 30 days upon receipt or as otherwise provided for by Management Agreement. Seattle shall notify _____ of any proposed improvements to a _____ Point of Delivery and consult with _____ to ensure minimal impact on _____'s distribution system and appropriate coordination of operation and construction activities.

8.6 Seattle shall maintain a cost accounting system consistent with the provisions of this Agreement and Generally Accepted Accounting Principles consistently applied in developing the financial information for determining the costs of construction, replacement, maintenance and operation of the facilities in each cost pool.

(A). Asset Accounts. An asset account shall be maintained for each facility and within that account Seattle shall record the original cost of that facility plus betterments and less retirements.

(B). Depreciation. Facilities shall be depreciated according to Standard Water System Asset Lives and a record of life-to-date depreciation shall be maintained for each facility. No depreciation shall be recorded in the first calendar year of operation of a facility. A full year's depreciation shall be recorded in every subsequent year.

(C). Net Book Value. The net book value of any facility shall be its original cost plus betterments and less retirements as recorded in its facility asset account, less life-to-date depreciation.

8.7 Costs in each cost pool shall be calculated as follows:

(A). Infrastructure Costs. Each cost pool shall include the infrastructure costs for its respective facilities, calculated on a utility, cash or other basis depending upon the facility and the cost pool as set forth below.

1. Utility Basis. The utility basis shall be used to calculate the infrastructure costs for all Existing Supply facilities, all Existing Transmission facilities, as well as their replacements and betterments, and all capitalized costs in the Conservation Cost Pool. Under the utility basis, the infrastructure cost for a facility in any year shall be the sum of (i) the annual depreciation expense recorded for that facility and (ii) the product of the net book value of that facility and the Rate Of Return On Investment. At Seattle's discretion, interest costs may be considered current infrastructure costs during the construction of a facility. However, any such interest costs must then be considered contributions in aid of construction, and not included in the Net Book Value of the facility for purposes of calculating Utility Basis costs in future years.

(B). Operations Costs. The costs of operating the assets assigned to a cost pool shall be included in the cost pool. The annual operations costs of a cost pool shall be the labor, materials, equipment and other direct costs required for the operation and maintenance of the facilities in that cost pool, together with any net profit or expense from the disposition of facilities in that pool. Operations costs shall include the cost of general and administrative overhead applied in a manner consistent with its application to facilities construction projects.

1. Existing Supply Operations Costs. The parties agree that an efficient way of handling operations costs for the Existing Supply Cost Pool shall be as follows: the Operations Cost base in the Existing Supply Cost Pool for the year 2001 shall be $17,780,262.00. In each succeeding year, the amount from the previous year shall be adjusted by the percentage change in the total cost of all the supply cost centers identified in Exhibit V, except that the increase in treatment operations costs caused by the first full year start-up of the Cedar Treatment Plant at Lake Youngs in or around 2005 shall not be included in the percentage adjustment. Any increase in Cedar Treatment operations costs for the first full year of operation of the plant shall instead be added directly to the Operations Cost total from the prior year as adjusted by the index. For each year after the first full year of operation, increases in Cedar Treatment operations costs shall be included in the adjustment index.

2. Existing Transmission Operations Costs. The parties agree that an efficient way of handling operations costs for the Existing Transmission Cost Pool shall be as follows: the Operations Costs base in the Existing Transmission Cost Pool for the year 2001 shall be $4,531,931.00. In each succeeding year, the amount of these costs from the previous year shall be adjusted by the percentage change in the total cost of all the transmission cost centers identified in Exhibit V.

3. Conservation Cost Pool. The base for operations costs for 2001 for the 1% Water Conservation Program shall be $1,326,712.00. This amount shall be adjusted in each succeeding year by the percentage increase in cost in the “1% Water Conservation Program” cost center as identified in Exhibit V.

(C). Disposition Costs. The costs of disposing of assets within a cost pool shall be included in the cost pool. Net disposition costs shall be calculated as follows:

1. Disposition under the Utility Basis. The net book value of the facility, less any sales, salvage, or other revenues derived from the disposition of that facility.

8.8 The costs in cost pools shall be allocated to _____ as follows:

(A). Allocation of Existing Supply Cost Pool. _____ shall pay one hundred two percent (102%) of the product of the _____ Block and the costs in the Existing Supply Cost Pool divided by the Firm Yield.

(B). Allocation of New Supply Cost Pool. _____ shall pay none of the costs in the New Supply Cost Pool.

(C). Allocation of Existing Transmission Cost Pool. _____ shall pay one hundred two percent (102%) of the product of the _____ Block and the costs in the Existing Transmission Cost Pool divided by the Firm Yield.

(D). Allocation of New Transmission Cost Pool. _____ shall pay none of the costs in the New Transmission Cost Pool.

(E). Allocation of Conservation Cost Pool. _____ shall pay one hundred and two percent (102%) of the product of the _____ Block and the costs of the Conservation Cost Pool divided by the difference between Firm Yield and the Cascade Block.

8.9 _____ shall pay the costs of penalties for exceeding the _____ Block, as defined in Section 8.11 and any other costs requiring invoice by Seattle within 30 days of invoice by Seattle.

8.10 _____ shall pay the annual costs allocated to _____ in accordance with Section 8.7 as follows:

(A). Prospective Cost Estimate. Seattle may conduct a cost estimating study to revise estimates of the annual costs allocable to _____ upon 120 days notice to _____. _____ shall pay Seattle according to the estimated annual costs in such study, provided that not more than five years has elapsed from the time a study is conducted to the year in which the estimates from that study are used. Each study shall estimate the annual costs for not less than the five following years.

(B). Statement of Annual Costs. On or before December 1st of each year, Seattle shall notify _____ of _____'s annual cost for the next year. Such annual cost shall be the sum of the prospective cost estimate determined in accordance with Section 8.10A and the amount of excess or deficit identified in the most recent cost audit performed in accordance with Section 8.10D. On or before October 1st of each year Seattle shall provide _____ with its best, non-binding estimate of the annual cost for the next year.

(C). Payment Distribution. On or before the last day of each month, _____ shall pay Seattle that portion of _____'s annual cost for that year, calculated pursuant to Section 8.10B, according to the following schedule:

January	5%
February	5%
March	6%
April	6%
May	6%
June	12%
July	13%
August	15%
September	13%
October	7%
November	6%
December	6%

Overdue balances shall bear interest at the rate of 1% per month. In no event shall _____ be required to pay Seattle a monthly payment during a year until at least 30 days after Seattle provides _____ with a statement of annual costs for that year, and such payments shall not be considered overdue until 30 days after such statement and invoice are provided to _____. Seattle will invoice _____ on a monthly basis.

(D). Cost Audit. No later than August 1 of each year, Seattle shall provide a statement of actual costs allocated to each cost pool and other costs and revenues received during the prior year, which statement shall be audited by an external auditor. In addition, _____ may have the statement audited by an external auditor of its choice, solely at _____'s expense. This statement shall clearly identify the amount by which payments made by _____ during the prior year were in excess of, or insufficient to meet the actual costs allocable to _____ for the prior year. This surplus or deficit shall earn interest at the Rate of Return on Investment, and shall be reduced in accordance with Section 8.10B. No later than December 31 of the year following the termination of the contract, any remaining surplus or deficit balance shall be paid in cash by the party owing the balance to the Party to whom the balance is owed.

(E). Payment from Gross Revenues. _____ shall pay the charges out of its gross revenues. _____'s payments to Seattle pursuant to this Agreement and payments otherwise required or provided for by this Agreement shall be maintenance and operation expenses of _____, payable prior to and superior to any charge or lien of any revenue bond issued by _____ that are payable from the revenues of _____. _____ shall establish rates and collect fees and charges for water service sufficient to pay for the maintenance and operation of its _____ Water System, including payments to Seattle, and the principal and interest on any and all _____ revenue obligations that constitute a charge against the revenue of _____.

(F). Emergency Surcharge. In the event of a catastrophe or other extraordinary condition that requires emergency expenditures to maintain a sufficient water supply, Seattle may impose an emergency surcharge proportionately on all of its retail and wholesale customers, including _____ in order to pay for such expenditures. Any such emergency surcharge shall be presented to _____ prior to adoption by Seattle. Seattle shall consider _____'s comments but shall nevertheless have the full authority to adopt the charge.

8.11 Charges imposed for exceeding the _____ Block, Peak Season or Peak Month limitations will be determined through the application of multipliers to the _____ Volume Charge.

(A). There shall be a charge for exceeding the average annual, Peak Season and Peak Month quantities associated with the _____ Block as described in Section 3.12. The charge for exceedance shall be calculated by (1) multiplying the _____ Volume Charge by the appropriate factor in the following table, (2) multiplying by the amount of the exceedance (expressed as the average daily exceedance during the applicable annual, Peak Season or Peak Month period, and rounded to the nearest one-tenth MGD) and (3) multiplying by the number of days in the year, Peak Month (30) or Peak Season (122), whichever is applicable.

Quantity of Exceedance	0 to .3 MGD	>.3 to 1 MGD	>1 MGD
Annual Average Daily Demand	1.0	1.1	1.2
Peak Month Demand	1.5	9.1	16.7
Peak Season Demand	1.5	3.1	4.7

(B). In the event that the _____ Block, Peak Season or Peak Month limitations are exceeded in 2 or more years during any consecutive five-year period, the following charges apply:

Quantity of Exceedance	0 to .3 MGD	>.3 to 1 MGD	>1 MGD
Annual Average Daily Demand	1.0	1.2	1.2
Peak Month Demand	1.5	16.7	16.7
Peak Season Demand	1.5	4.7	4.7

(C). In the event a charge for exceeding the block occurs in more than one category in either a single year or in multiple years during any consecutive five-year period, only the category that results in the highest charge will be assessed.

(D). Examples of penalty charge calculations are included in Exhibit VIII

ARTICLE IX – SEATTLE WATER SYSTEM OPERATING BOARD

9.1 Purpose. The purpose of the Seattle Water System Operating Board (Operating Board) is to provide certain limited authority to a board of representatives over policy and operational matters as they affect the Seattle Water System.

9.2 Structure and Authority. The Operating Board shall have the powers and authority as set forth herein. Exhibit VI and VII describe the structure and authority of the Operating Board. The matrix provided in Exhibit VII is for illustrative purposes only. In the event of a conflict between provisions of this Agreement which grant specific powers to the Operating Board and Exhibits VI and VII, the specific provisions of this Agreement shall control.

9.3 Review. The structure and authority of the Operating Board may be reviewed as of January 1, 2007 and every five years thereafter to determine its effectiveness in addressing regional and contractual issues. The review may address the composition of the Board and its powers and authority as set forth in Exhibits VI and VII, provided that notwithstanding any other term or provision of this Agreement, Seattle shall not have the power to disband the Operating Board nor take away or diminish the powers vested in the Operating Board as set forth in Article IX of this Agreement. Either party may initiate the review. The reviewing party shall provide the other with its comments and proposals. The parties agree to consider the other party's comments and proposals and to respond in writing stating its reasons for rejecting any proposals and the reasons for its own counter-proposal. After consideration of all comments and proposals at each five year interval, Seattle may make changes in the structure and authority of the Operating Board that are not inconsistent with the provisions of this subsection.

ARTICLE X - ADMINISTRATION

10.1 Seattle shall own and maintain appropriate metering devices to measure the water flowing from the Seattle Water System to each Point of Delivery. At _____'s request and sole expense, Seattle will install and maintain equipment selected by _____ and approved by Seattle to transmit signals to recording equipment of _____ of the amount of water delivered, as measured by Seattle's meters.

10.2 As of the end of the calendar year immediately following the effective date of this Agreement, Seattle shall pro rate the balances in the Purveyor Balance Accounts among its contract Purveyors (1982 Water Purveyor Contract, Version A or B) and transfer to _____ its pro rated balance.

10.3 Relinquishment of Prior Agreement. Upon entering into this Agreement, _____ relinquishes its 1982 Water Purveyor Contract with Seattle and the terms and conditions of that 1982 Water Purveyor Contract shall have no further force and effect

10.4 Seattle shall keep full and complete books of accounts for the Seattle Water System and Seattle's retail distribution system in compliance with current standards required by the State Auditor. _____, at its own expense, may at any time audit Seattle's book of accounts using the services of a public accounting firm and Seattle shall make the books and records of the Seattle Water System and Seattle's retail distribution system available to such auditors during reasonable business hours upon reasonable notice at the place where such records are normally kept. Seattle shall provide adequate facilities; i.e., room and workspace, so the audit can be performed. Seattle shall have reciprocal rights to audit _____ books and accounts.

10.5 This Agreement shall be interpreted according to the laws of the State of Washington and the venue for any litigation between the Parties concerning its terms shall be in the Superior Court of King County at Seattle. The Parties shall be entitled to specific performance of the terms of this Agreement.

10.6 This Agreement shall inure to the benefit of and be binding upon successors of interest and assigns of the Parties. Neither this Agreement nor obligations to perform hereunder may be voluntarily assigned by either Party without the other Party's written consent, which shall not be unreasonably withheld. Seattle may not convey the Seattle Water System or its component parts without providing for an assumption of this Agreement and the obligations contained herein by the conveyee. The Parties do not intend to confer rights or benefits upon any third party. Only a written amendment executed by the Parties may modify this Agreement.

10.7 In the event _____'s entire service area and service responsibilities are assumed by or are transferred to another utility, then this Agreement shall become null and void at the time of the assumption or transfer.

10.8 In the event ownership and/or operation of the Seattle Water System is altered as a result of legislative or legal action, the parties agree to make good faith efforts to maintain the integrity of this agreement and contractual relationship.

10.9 All notices relating to this Agreement shall be sent to the following addresses, certified mail, return receipt requested, unless the other Party is previously notified in writing of a change in recipient or address:

To: City of Seattle
Director
Seattle Public Utilities
P. O. Box 34018
700 Fifth Avenue, 49th Fl
Seattle, WA 98104-4018

To: _____ Utility District
General Manager
6830 NE 185th Street
Kenmore, WA 98028

10.10 If any provision of this Agreement or its application is determined by a court of law to be illegal, invalid, or void without rendering performance of this Agreement impossible or infeasible, then the Parties intend that the validity of the remaining provisions of this Agreement or their application shall not be affected and shall continue in full force and effect.

10.11 This Agreement is intended to be and is a contract for the purchase and sale of water and transmission services related to that water and no provision hereof shall be construed to make the Parties partners or the Agreement a joint venture. Neither Party is the agent of the other nor shall either Party be held liable for the acts of the other on a theory of agency or any other representative capacity.

10.12 In the event of default of any provision of this Agreement, the non-defaulting Party shall issue written notice to the other Party setting forth the nature of the default. If the default is for a monetary payment due hereunder, the defaulting Party shall have thirty (30) days to cure the default. In the event of other defaults, the non-defaulting Party shall use its best efforts to cure the default within ninety (90) days. If such default cannot be reasonably cured within such ninety (90) day period, the non-defaulting party shall, upon written request prior to the expiration of the ninety (90) day period be granted an additional sixty (60) days to cure the default.

ARTICLE XI - DISPUTE RESOLUTION

11.1 _____ and Seattle shall make good faith efforts to resolve by informal discussion any dispute arising under or in connection with this Agreement. If at any time a Party to a dispute determines that such informal discussions will not result in a resolution, such Party may initiate non-binding mediation of any dispute arising under or in connection with this Agreement. Within ten (10) days of receiving written notice of initiation of non-binding mediation by one or both Parties, each Party shall designate in writing not more than five (5) candidates it proposes to act as a non-binding mediator. The Parties shall within an additional five (5) days select one of the mediators from either list to serve as mediator. Should the parties be unable to agree upon a mediator, a mediator shall be chosen from one of the two lists by the presiding judge of the King County Superior Court at Seattle. Upon selection of the mediator, the Parties shall use reasonable efforts to resolve the dispute within thirty (30) days with the assistance of the mediator. The cost of mediation shall be shared by _____ and Seattle equally.

11.2 If mediation fails to resolve the dispute within thirty (30) days of selection of the mediator, the Parties may thereafter seek redress in court.

11.3 Pending the decision in any mediation or litigation process pursuant to this section, the Parties to such process shall continue to fulfill their respective duties under this Agreement.

ARTICLE XII - EMERGENCY EVENTS

12.1 The Parties recognize that unforeseen and unavoidable events may occur which would require Seattle to act unilaterally for what it deems to be in the best interest of the general public served by the Seattle Water System; including water shortages resulting from drought circumstances and temporary reduction in water supply associated with turbidity events. Upon the occurrence of an unforeseen or unavoidable event, Seattle shall, to the extent practicable, treat its wholesale and retail customers equally and any curtailment of supply shall be imposed proportionately among those customers. This authority to act unilaterally carries with it a unilateral responsibility of Seattle to restore, expeditiously, the Seattle Water System to its pre-emergency capability to supply the region.

12.2 Upon occurrence of an unforeseen or unavoidable event that adversely impacts the _____ Water System, _____ may request Seattle to temporarily modify or suspend operational or supply provisions of this Agreement and Seattle shall make reasonable efforts to grant such request. _____ will act expeditiously to restore the _____ Water System to its pre-emergency capability.

12.3 The time periods for Seattle's performance under any provisions of this Agreement shall be extended for a reasonable period of time during which Seattle's performance is prevented, in good faith, due to fire, flood, drought, turbidity events, earthquake, lockouts, strikes, embargoes, acts of God, war and civil disobedience. If this provision is invoked, Seattle agrees to immediately take all reasonable steps to alleviate, cure, minimize or avoid the cause preventing such performance.

ARTICLE XIII - EXHIBITS

Exhibits I through VIII are attached hereto and are hereby incorporated by reference into the Agreement as if set forth in full herein.

ARTICLE XIII - COMPLETE AGREEMENT

This Agreement represents the entire agreement between the parties concerning the subject matter hereof. This Agreement may not be amended except as provided in Section 9.5.

SIGNATURES

THE CITY OF SEATTLE,
a municipal corporation

By: Chuck Clarke
Director, Seattle Public Utilities
Date: _____

_____ UTILITY DISTRICT,
a municipal corporation

By: Don Ellis
President, Board of Commissioners
Date: _____

EXHIBIT I

Other Agreements

A. List of documents, commitments, adjustments, reductions, agreements, and/or written approvals by Seattle regarding the supply, purchase and/or resale of water according to Section 4.4 of this Agreement:

1. Interties and associated agreements with other agencies as referenced in Section 4.4:

Entity/location	Meter Size	Capacity	Type of Service	Comment

2. Other pertinent Agreements:

- Interlocal Agreement –
- Agreement to Develop Water Supply Sources -
- Interlocal agreements between _____ and neighboring utilities to provide water service to customers within each other's service boundaries are not listed separately.

EXHIBIT II

POINTS OF DELIVERY, MINIMUM HYDRAULIC GRADIENTS, AND MAXIMUM FLOW RATES OF WATER SUPPLIED

METER SERVICE				MINIMUM HYDRAULIC GRADIENT FOR PLANNING PURPOSES AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	I
LOCATION	STATION NUMBER (1)	PIPELINE SEGMENT NUMBER(1)	SIZE OF METER (IN.)		
				TOTAL:	

Notes:
(1)

EXHIBIT III

Seattle Supply System Facilities

1. **Cedar Source**
   - All roads, buildings, structures, water supply facilities, recreational and educational facilities, and fisheries enhancement and mitigation facilities located within or close to the Cedar River Hydrographic Watershed boundary as defined by Seattle land ownership, including the land itself, and any capitalized studies related to the above. Excepted are facilities solely owned by Seattle City Light for the purpose of power generation. Facilities shared by Seattle City Light and Seattle Public Utilities shall be part of the Seattle Supply System only to the extent of SPU share or responsibility.
   - All facilities located within the Lake Youngs Reservation as defined by Seattle ownership of the land except for conveyance facilities used to transport finished water during non-emergency operation
   - All facilities located within the Lake Youngs Aqueduct, the Landsburg Tunnel, and the Lake Youngs Supply Lines right-of-way, including the right-of-way itself
   - Existing Morse Lake Floating Pump Stations

2. **Tolt Source**
   - All roads, buildings, structures, water supply facilities, recreational and educational facilities, and fisheries enhancement and mitigation facilities located within or close to the South Fork Tolt River Hydrographic Watershed boundary as defined by Seattle land ownership, including the land itself, and any capitalized studies related to the above. Excepted are facilities solely owned by Seattle City Light for the purpose of power generation. Facilities shared by Seattle City Light and Seattle Public Utilities shall be part of the Seattle Supply System only to the extent of SPU share or responsibility.
   - Tolt Treatment Facility

3. **Highline Wellfield**
   - Riverton Wells, including all pumping and treatment equipment, original yard piping, to the connection to CRPL4, and the low flow piping to Riverton Reservoir
   - Boulevard Well, including all pumping and treatment equipment, and all piping up to the connection to CRPL4

4. **Other**
   - One Percent Conservation Program through December 31, 2001
   - Commercial Incentive Program through December 31, 2001
   - Commercial Toilet Retrofit Program through December 31, 2001
   - Showerhead retrofit Program through December 31, 2001
   - The Seattle Forecasting Model (SEAFM Model)
   - GIS Projects related to facilities identified herein as part of the Seattle Supply System

EXHIBIT IV

Seattle Transmission System Facilities

1. Pipelines

- Tolt Pipeline No. 1 from the outlet of the Tolt Treatment Facility (TTF) to Lake Forest Reservoir, including any transfer and ancillary small diameter parallel pipes *(Note: Includes TPL1 and TPL2 between the Reg. Basin and TTF in Supply!)*
- Tolt Pipeline No. 2 (where constructed), including any transfer and ancillary small diameter parallel pipes
- Tolt Tieline
- Tolt Eastside Supply Line (from TESS Junction to the intersection of SE 16th ST and 145th Place SE)
- Tolt Eastside Line Extension (from the intersection of SE 16th ST and 145th Place SE to Eastside Reservoir)
- The 540 head Pipeline from Maple Leaf Reservoir to Lake Forest Reservoir
- Lake Youngs Bypass No. 4 from the outlet of each of the Cedar Treatment Facility clearwells to Control Works
- Lake Youngs Bypass No. 5 from the outlet of each of the Cedar Treatment Facility clearwells to the Lake Youngs Tunnel
- The Lake Youngs Tunnel (from the original lake outlet to Control Works)
- The Maple Leaf Pipeline (from the intersection of 18th Avenue E. and E. Prospect Street to Maple Leaf Reservoir)
- Cedar River Pipeline No. 1 from Control Works to the intersection of 18th Avenue E. and E. Prospect Street
- Cedar River Pipeline No. 2 from Control Works to the intersection of 12th Avenue E. and E. Olive Street
- Cedar River Pipeline No. 3 from Control Works to the intersection of 18th Avenue E. and E. Prospect Street
- 30” intertie between Cedar River Pipelines 2 and 3 in east Olive Street
- Cedar River Pipeline No. 4 from Control Works to the West Seattle Pipeline
- Cedar Eastside Supply Line (from the Cedar Wye to the intersection of SE 16th St and 145th Place SE)
- West Seattle Pipeline from Augusta Gatehouse to Cedar River Pipeline 4
- The 8th Avenue S. Pipeline between S. 146th Street and S. 160th Street
- The Bow Lake Pipeline (between 8th Avenue S. and CRPL 4, and as relocated outside runways at Seatac Airport)
- The Burien Feeder (in S. 146th Street between 8th Avenue S. and CRPL 4)
- The Fairwood Line (between Fairwood Pump Station and Soos Reservoirs)
- The 24-inch discharge pipeline of Lake Youngs Pump Station up to Soos Reservoirs

- The 12-inch discharge pipeline of Lake Youngs Pump Station up to Soos Reservoirs
- The 630 head pipeline between Lake Youngs Pump Station and the Cedar River WSD pump station at the eastern boundary of the Lake Youngs Reservation

2. **Reservoirs, Tanks, and Standpipes**, including overflow pipes, all valves, appurtenances, and disinfection facility located on the premises of each storage facility, unless otherwise noted
   - Lake Forest Reservoir
   - Eastside Reservoir
   - Riverton Reservoir
   - Maple Leaf Reservoir (excluding Roosevelt Way Pump Station and its suction and discharge piping, Maple Leaf Tank and 520 zone piping, except where solely serving the disinfection facility)
   - Soos Reservoirs

3. **Pump Stations, Major Valve Structures, and other Facilities**
   - TESS Junction Pump Station
   - Lake Hills Pump Station
   - Maplewood Pump Station
   - Maple Leaf Pump Station
   - Bothell Way Pump Station
   - Fairwood Pump Station
   - Lake Youngs Pump Station
   - The Control Works
   - Augusta Gatehouse
   - Eastgate Pump Station

The facilities include the appurtenances to the transmission lines including but not limited to rights of way, line valves, system meters and remote automation devices. The facilities also include the existing meters, vaults and related equipment at all wholesale points of delivery to the extent that the costs of such meters, vaults and related equipment were unamortized as of December 31, 2004. New and replacement meter installations shall be treated consistent with Section 8.5.B

Purveyor tap and meter installations shall not be part of the Regional Transmission System. The cost of improvements to such installations shall be borne by _____ regardless of the cause for the improvements provided that such cause is consistent with AWWA and safety standards and practices.

EXHIBIT V

Cost Centers Used for Operations Cost Indices

The following costs centers or successor cost centers that capture the direct costs of operation of Existing Supply facilities, Existing Transmission facilities and the 1% Program shall be used as the indices for operations cost in the Existing Supply Cost Pool, Existing Transmission Cost Pool and for the 1% Program in the New Supply Cost Pool.

Supply

Program	Project	Project Name	Activity
Communications	N1203	Communications Activity Group	N120304 Purveyor Relations
Audit & Accounting	N3303	Customer Audit	N330303 Purveyor Audit
Watershed Management	N5401	Program Management	N540194 Department Support
Watershed Management	N5401	Program Management	N540195 General Expense
Watershed Management	N5401	Program Management	N540196 General Management
Watershed Management	N5401	Program Management	N540197 Training
Watershed Management	N5401	Program Management	N540198 Safety
Watershed Management	N5401	Program Management	N540199 Personnel
Watershed Management	N5401	Program Management	N540289 Capital Purchase
Watershed Management	N5403	Support Services	N540301 Modified Duty
Watershed Management	N5403	Support Services	N540302 Procuring/Paying/Receiving
Watershed Management	N5403	Support Services	N540303 Vehicle Equipment Downtime
Watershed Management	N5404	Watershed Protection	N540401 Hydrological Data Collection
Watershed Management	N5404	Watershed Protection	N540402 Fire Protection
Watershed Management	N5404	Watershed Protection	N540403 Inspection
Watershed Management	N5404	Watershed Protection	N540404 Boundaries
Watershed Management	N5405	Facility Management	N540501 WS Grounds
Watershed Management	N5405	Facility Management	N540502 WS Buildings
Watershed Management	N5405	Facility Management	N540503 WS Facilities & Roads
Watershed Management	N5406	Watershed Road Maintenance	N540601 Grade/Gravel/Ditching
Watershed Management	N5406	Watershed Road Maintenance	N540602 Bridges/Streams Culvert
Watershed Management	N5406	Watershed Road Maintenance	N540603 Roads/Row/Vegetation Cutting
Watershed Management	N5406	Watershed Road Maintenance	N540604 Tolt Roads & Streams
Watershed Management	N5407	Watershed Operations Support	N540701 Veh/Equipment Management
Watershed Management	N5407	Watershed Operations Support	N540702 Veh/Equip/Tool Repair
Watershed Management	N5408	Water Quality & Hydrology	N540801 Water Quality Monitoring
Watershed Management	N5408	Water Quality & Hydrology	N540802 Hydrological Monitoring
Watershed Management	N5409	Public/Cultural Programs	N540901 Recreation Planning
Watershed Management	N5409	Public/Cultural Programs	N540902 Management & Research
Watershed Management	N5409	Public/Cultural Programs	N540903 Watershed Education
Watershed Management	N5409	Public/Cultural Programs	N540904 Watershed Public Information
Watershed Management	N5410	Wildlife & Fisheries Programs	N541001 Program Planning & Evaluation
Watershed Management	N5410	Wildlife & Fisheries Programs	N541002 Interagency/Public Involvement
Watershed Management	N5410	Wildlife & Fisheries Programs	N541003 Ecological Monitoring & Research
Watershed Management	N5410	Wildlife & Fisheries Programs	N541004 Habitat & Species Inventory
Watershed Management	N5410	Wildlife & Fisheries Programs	N541005 Habitat Enhancement/Restoration
Watershed Management	N5411	Resource Information Mgmt	N541101 Program Plan/Evaluation
Watershed Management	N5411	Resource Information Mgmt	N541102 Information Maintenance

Program	Project	Project Name	Activity
Watershed Management	N5411	Resource Information Mgmt	N541103 Information Services
Watershed Management	N5412	Special Projects	N541202 Silviculture
Watershed Management	N5412	Special Projects	N541205 Land Exchanges/Acquisitions
Watershed Management	N5415	Cedar HCP	N541501 ASSESS OF EXPAND FOREST STAND
Watershed Management	N5415	Cedar HCP	N541502 ASSESS EXPAND FOREST ATTRIBUTE
Watershed Management	N5415	Cedar HCP	N541503 AUGMENT FOREST HABITAT INV
Watershed Management	N5415	Cedar HCP	N541504 LONG-TERM FOREST HABITAT
Watershed Management	N5415	Cedar HCP	N541505 OLD-GROWTH CLASSIFICATION
Watershed Management	N5415	Cedar HCP	N541506 RIPARIAN RESTOR PROJECT MONIT
Watershed Management	N5415	Cedar HCP	N541507 UP0LAND FOREST RESTOR PROJ MONT
Watershed Management	N5415	Cedar HCP	N541515 GIS DATA COMPATIBILITY STUDY
Watershed Management	N5415	Cedar HCP	N541516 FOREST HABITAT MODELING
Watershed Management	N5415	Cedar HCP	N541517 SPECIE HABITAT RELATION MODEL
Watershed Management	N5416	Cedar HCP	N541601 CRHCP GIS SUPPORT
Watershed Management	N5416	Cedar HCP	N541603 CRHCP TECHNICAL SUPPORT
Watershed Management	N5417	Cedar HCP	N541701 ROAD MAINTENANCE
Watershed Management	N5418	Cedar HCP	N541801 EXPERIMENTAL STREAM MONITORING
Watershed Management	N5418	Cedar HCP	N541802 LONG-TERM STREAM MONITORING
Watershed Management	N5418	Cedar HCP	N541803 AQUATIC RESTORATION MONITORING
Watershed Management	N5418	Cedar HCP	N541804 BULL TROUT SURVEYS (ADULT)
Watershed Management	N5418	Cedar HCP	N541805 BULL TROUT SPAWNING SURVEY
Watershed Management	N5418	Cedar HCP	N541806 BULL TROUT FRY/JUVENILE SURVEY
Watershed Management	N5418	Cedar HCP	Riparian Zone Studies
Watershed Management	N5418	Cedar HCP	N541809 BULL TROUT STREAM DISTRIBUTION
Watershed Management	N5418	Cedar HCP	N541810 BULL TROUT REDD INUNDATION STU
Watershed Management	N5418	Cedar HCP	N541811 COMMON LOON MONITORING
Water Quality & Supply	N5503	Water System Operations	N550301 Water Management
Water Quality & Supply	N5503	Water System Operations	N550302 Water System Control
Water Quality & Supply	N5503	Water System Operations	N550303 Anadromous Fishery Mgmt
Water Quality & Supply	N5503	Water System Operations	N550304 SCADA Management
Water Quality & Supply	N5503	Water System Operations	N550305 Highline Well Field
Water Quality & Supply	N5503	Water System Operations	N550306 Morse Lake PS
Water Quality & Supply	N5503	Water System Operations	N550307-SAFETY PROCESS MGMT COMPLIANCE
Water Quality & Supply	N5503	Water System Operations	N550308-EPA RISK MGMT COMPLIANCE
Water Quality & Supply	N5504	Water System Analysis	N550401 Eng Analysis/Modeling
Water Quality & Supply	N5504	Water System Analysis	N550402 Water Rights Mgmt
Water Quality & Supply	N5504	Water System Analysis	N550403 DEMAND METERING
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550501 Monitoring, Reporting & Admin
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550502 Cholrination Facilities O&M
Water Quality & Supply	N5505	Surface Water Trtmnt Rule	N550503 Watershed Management
Water Quality & Supply	N5506	Total Coliform Rule Compl.	N550601 Monitoring, Reporting & Admin

Program	Project	Project Name	Activity
Water Quality & Supply	N5508	Lead & Copper Rule Compl.	N550801 Monitoring, Reporting & Admin
Water Quality & Supply	N5508	Lead & Copper Rule Compl.	N550802 Corrosion Trtmnt Facil O&M
Water Quality & Supply	N5509	Fluoridation Program	N550901 Fluoridation Program O&M
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551001 Otr Reg/Operational Analysis
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551002 Disinfection By-Product Rule
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551003 Limnology
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551005 WQ Lab
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551006 DW Reg Dev & App Research
Water Quality & Supply	N5510	Other Reg Comp/Monitoring	N551007 Public Information/Notification
Water Quality & Supply	N5511	Special Projects	N551104 LIMS & QA/QC
Water Quality & Supply	N5512	Cedar HCP	N551201 INTERIM CHINOOK COHO
Water Quality & Supply	N5513	Cedar HCP	N551301 HCP STREAMFLOW GAUGING
Water Quality & Supply	N5513	Cedar HCP	N551302 SWITCHING CRITERIA STUDY
Water Quality & Supply	N5513	Cedar HCP	N551303 STEELHEAD REDD MONITORING
Water Quality & Supply	N5513	Cedar HCP	N551304 CHINOOK STUDIES
Water Quality & Supply	N5513	Cedar HCP	Salmonid Studies
Water Quality & Supply	N5514	WQ Monitoring	N551403 DRINKING WATER QUALITY MONITOR
Water Quality & Supply	N5515	HCP Fisheries	N551501 FRY CONDITION AT RELEASE
Water Quality & Supply	N5515	HCP Fisheries	N551502 FRY MARKING & EVALUATION
Water Quality & Supply	N5515	HCP Fisheries	N551503 FRY TRAPPING & COUNTING
Water Quality & Supply	N5515	HCP Fisheries	N551504 FISH HEALTH
Water Quality & Supply	N5515	HCP Fisheries	N551505 SHORT-TERM FRY REARING
Water Quality & Supply	N5515	HCP Fisheries	N551506 LAKE WASHINGTON PLANKTON STUDY
Water Quality & Supply	N5515	HCP Fisheries	N551508 ADULT SURVIVAL DISTRIBUTION
Water Quality & Supply	N5515	HCP Fisheries	N551509 PHENOTYPIC & GENETIC STUDY
Water Quality & Supply	N5516	Tolt DBO	N551601-CONTRACTOR PAYMENTS
Water Quality & Supply	N5516	Tolt DBO	N551603-MANAGEMENT COSTS
Resource Planning	N5609	Water Resource & Habitat Issues	N560903-ESA

Transmission

Program	Project	Project Name	Activity
Water Operation	N6540	WT - Headwork/Storage	N654001 Program Maintenance
Water Operation	N6540	WT - Headwork/Storage	N654002 Event Driven Repairs
Water Operation	N6541	WT - Transmission Pipeline Maint	N654101 Program Maintenance
Water Operation	N6541	WT - Transmission Pipeline Maint	N654102 Event Driven Repairs
Water Operation	N6542	WT - Value Op/Maint - Water Tran	N654201 Program Maintenance
Water Operation	N6542	WT - Value Op/Maint - Water Tran	N654202 Event Driven Repairs
Water Operation	N6543	WT - Grounds/Roads/ROW	N654301 Grade/gravel roads - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654302 Grade/gravel roads - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654303 Bridges/culverts - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654304 Bridges/culverts - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654305 Fences/gates - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654306 Fences/gates - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654307 Mow ROW - P
Water Operation	N6543	WT - Grounds/Roads/ROW	N654308 Mow ROW - E
Water Operation	N6543	WT - Grounds/Roads/ROW	N654309 Mow Other
Water Operation	N6544	WT - Facility Maintenance	N654401 Program Maintenance
Water Operation	N6544	WT - Facility Maintenance	N654402 Event Driven Repairs
Water Operation	N6545	WT - Castings	N654501 Casting Adjustments
Water Operation	N6546	WT - Customer Services	N654601 Communications/Dispatch
Water Operation	N6546	WT - Customer Services	N654602 Locating/Marking
Water Operation	N6547	WT - Damage by Others	N654701 P/L/ROW/Facility
Water Operation	N6548	WT - Transmission Shops	N654801 Shops/Fabrication
Water Operation	N6549	WT - General Expenses	N654905 Tools/small equipment
Water Operation	N6549	WT - General Expenses	N654906 Standy
Water Operation	N6549	WT - General Expenses	N654907 Truck Inventory
Water Operation	N6549	WT - General Expenses	N654908 Downtime - Job Related
Water Operation	N6549	WT - General Expenses	N654909-DISASTER-EMERG RESPONSE

1% Program

Program	Project	Project Name	Activity
Community Services	N5303	Resource Conservation	N530301 1% Conservation

EXHIBIT VI

SEATTLE WATER SYSTEM OPERATING BOARD STRUCTURE

1. Structure. The Operating Board (or "Board") shall be structured as follows:

   a. The Board shall consist of seven (7) members, composed of three members representing Seattle Public Utilities (SPU), three members representing Seattle's Wholesale Customers selected as described below and one independent party selected as set forth below to be a tie-breaker as needed. Board members shall, to the best of their ability, act in the best interests of the Seattle Water System as a whole and shall not represent the interest of a group of utilities or an individual utility.

   b. Three Board members representing the Wholesale Customers will be selected from persons having signed water supply Agreements with Seattle identifying participation in the Operating Board. Wholesale Customers will then be sorted into three categories based on utility size. The selected categories will be small, medium and large utilities, which will be made up from approximately equal numbers of contract holders. Each category of utility may elect, by majority vote (one vote per utility) its representative to the Operating Board.

   c. The seventh member of the Board shall be a person having expertise in the operations of regional water supply systems but have no employment, financial or contractual relationship with Seattle nor any Wholesale Customer and shall have no other actual or apparent conflict of interest in holding this position.

2. By-laws. Details regarding Board roles, responsibilities and procedures will be addressed by the adoption of By-laws developed within the first year of Board operation.

EXHIBIT VII

CONTRACT AUTHORITY MATRIX

	SPU ADMINISTRATOR	OPERATING BOARD	COUNCIL
CONTRACT			
Terms & conditions (amendments)	Implements	Recommends	Authorizes
OPERATING BOARD			
Structure & responsibilities	Recommends	Recommends	Authorizes
FINANCIAL			
Cost allocation structure	Recommends	Reviews & Recommends	Authorizes
Wholesale Rates	Develops & Implements	Review & Recommends	Authorizes
New Financial Policies	Develops & Implements	Reviews & Recommends	Authorizes
Purchase and disposal of regional property	Recommends	Recommends	Authorizes
Allocation of new regional projects costs	Recommends	Authorizes	Reviews
Issuance of Bonds	Implements	-	Authorizes
Regional Budget	Develops & Implements	Reviews & Recommends	Authorizes
Selection of vendors, consultants & contractors (for regional projects)	Authorizes	Recommends	-
Regional CIP	Develops & Implements	Recommends	Authorizes
SUPPLY			
Yield Analysis	Develops	Reviews	Reviews
Selections of new sources	Recommends	Recommends	Authorizes
New source criteria	Implements	Authorizes	Reviews

	SPU ADMINISTRATOR	OPERATING BOARD	COUNCIL
New supply cost allocation	Develops & Implements	Authorizes	Reviews
Allocation of supply to new customers	Recommends	Recommends	Authorizes
Reserves	Develops & Implements	Authorizes	Reviews
Allocation of block sales quantities	Implements	Recommends	Authorizes
Water Shortage Contingency Plan	Implements	Develops & Recommends	Authorizes
WATER CONSERVATION 1% Program	Develops & Implements	Reviews	Reviews Approves
New Goals	Implements	Develops & Authorizes	Reviews
Incentive & disincentive programs	Implements	Develops & Authorizes	Reviews
Conservation Potential Assessment	Develops & Approves	Reviews	Reviews
WATER QUALITY Monitoring responsibility	Develops & Approves	Reviews	Reviews
Selection of new treatment techniques	Reviews & Implements	Recommends	Authorizes
New treatment cost allocation	Recommends & Implements	Authorizes	Reviews
New treatment regulations	Reviews & Implements	Reviews	Reviews
Flushing allowances	Reviews	Authorizes	Reviews
Solutions to identified regional water quality deficiencies	Recommends & Implements	Recommends	Authorizes
REGIONAL INFRASTRUCTURE Operation of System	Implements	Recommends	Authorizes
Access to transmission	Recommends	Recommends	Authorizes
Allocation of excess capacity	Recommends & Implements	Recommends	Authorizes
Transmission capacity cost allocation	Recommends & Implements	Authorizes	Reviews

	SPU ADMINISTRATOR	OPERATING BOARD	COUNCIL
New regional infrastructure	Recommends	Recommends	Authorizes
New regional project cost allocation	Recommends	Authorizes	Reviews
Wheeling	Recommends	Recommends	Authorizes
Wheeling cost	Develops & Implements	Reviews & Recommends	Authorizes
Regional CIP prioritization	Develops & Recommends	Reviews & Recommends	Authorizes
OPERATIONS & MAINTENANCE Best Management Practices	Recommends & Implements	Develops & Approves	Reviews
Demand Forecast	Develops & Approves	Reviews	Reviews
Reliability standard	Develops & Recommends	Reviews & Recommends	Authorizes
REGIONAL ISSUES CPS Water Suppliers Forum	Represents	-	Reviews
HCP's	Represents	Recommends	Authorizes
Regional conservation organizations	Represents	Recommends	Authorizes

EXHIBIT VIII

Examples of Penalty Charge Calculations

PENALTY TABLE FOR FIRST EXCEEDANCE

Quantity of Exceedance	0 to .3 MGD	>.3 to 1 MGD	>1 MGD
Annual Average Daily Demand	1.00	1.10	1.20
Peak Month Demand	1.50	9.10	16.70
Peak Season Demand	1.50	3.10	4.70

PENALTY TABLE SUBSEQUENT EXCEEDANCE WITHIN 5-YEAR

Quantity of Exceedance	0 to .3 MGD	>.3 to 1 MGD	>1 MGD
Annual Average Daily Demand	1.00	1.20	1.20
Peak Month Demand	1.50	16.70	16.70
Peak Season Demand	1.50	4.70	4.70

ASSUMPTIONS FOR THE EXAMPLE YEAR:

Annual Cost of Water to _____ per Section 8.10 B in sample year
Number of Days in sample year
_____ Block in MGD
_____ Volume Charge per MG for sample year

EXAMPLE PENALTY CALCULATIONS:

No.	The following examples are assumed to be unique, unrelated occurrences of quantity exceedance(s) within the sample year based on above assumptions.	**Applicable Penalty Factor**	**Penalty**	**Cost of Water for the Year**
1	First time **annual** exceedance of 0.25 MGD			
2	First time **annual** exceedance of 1.0 MGD			
3	First time **Peak Month** exceedance of 0.5 MGD			
4	First time **Peak Season** exceedance of 1.1 MGD			
5	Second **annual** exceedance within 5 years of 0.25 MGD			
6	Second **annual** exceedance within 5 years of 1.0 MGD			
7	Second **Peak Month** exceedance within 5 years of 0.5 MGD			
8	Second **Peak Season** exceedance within 5 years of 1.0 MGD			
9	If Examples 2 and 4 **happen in the same year**			