

AM NO. 11-060 (C11)

MEMO TO: City Council

FROM: John Marchione, Mayor

DATE: March 1, 2011

SUBJECT: **RESOLUTION: RATES AND CHARGES INCREASE FOR WATER TO BE WHEELED TO SAMMAMISH PLATEAU WATER AND SEWER DISTRICT**

I. RECOMMENDED ACTION:

Approve the attached resolution increasing rates and charges for water to be wheeled to Sammamish Plateau Water and Sewer District.

II. DEPARTMENT CONTACT PERSONS:

Bill Campbell, Director of Public Works	425-556-2733
Ron Grant, Assistant Public Works Director/City Engineer	425-556-2742
Scott Thomasson, Water/Wastewater Engineering Manager	425-556-2829

III. DESCRIPTION:

The Sammamish Plateau Water and Sewer District and the City of Redmond are both members of Cascade Water Alliance. In 2005, Sammamish Plateau requested that Redmond “wheel” water through our Novelty Hill Water Service area into the Cascade View service area of the District. An Interlocal Agreement was approved establishing the terms for wheeling water to the District. The agreement provides that rates will be set through the City’s rate setting processes and established by resolution of the City. Financial Consulting Solutions Group (FCSG) has prepared an update to its wheeling charge analysis and is recommending an increase. The attached resolution incorporates the recommended increase from 24.0¢ per 100 cubic feet to 28.6¢ per 100 cubic feet and increases the base monthly fee from \$1,100 to \$2,346. Fees were last increased in January, 2009.

IV. IMPACT:

A. Service/Delivery:

No changes are proposed.

B. Fiscal:

FCSG has prepared an analysis to determine the appropriate charges to the District, this study is attached. The study does allocate costs for operation, maintenance, and system depreciation, and the proposed rates are shown in the attached resolution. Rates for wheeling are reviewed every two years in conjunction with staff's normal budgeting and rate setting procedures.

V. ALTERNATIVES:

The City Council could choose not to increase the wheeling rates.

VI. TIME CONSTRAINTS:

It is proposed that the rate be approved to take effect in March, 2011.

VII. LIST OF ATTACHMENTS:

- A. Resolution
- B. Financial Consulting Solutions Group (FCSG) Memo
- C. Existing Intertie Agreement

_____/s/_____
William J. Campbell, Director of Public Works

2/18/2011
Date

Approved for Council Agenda _____/s/_____
John Marchione, Mayor

2/22/2011
Date

**CITY OF REDMOND
RESOLUTION NO. _____**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON INCREASING RATES AND CHARGES FOR WATER TO BE WHEELED TO SAMMAMISH PLATEAU WATER AND SEWER DISTRICT

WHEREAS, the Sammamish Plateau Water and Sewer District and the City of the Redmond have approved an agreement for Redmond to wheel water from the Cascade Water Alliance to the District; and

WHEREAS, the agreement provides that the cost for wheeling water shall be established by resolution and that fixed and variable rates shall be set through the City's rate setting process; and

WHEREAS, as rates were last increased in January 2009; and

WHEREAS a rate study has been prepared to evaluate if an increase is warranted and the study recommends implementing an increase.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON DO RESOLVE AS FOLLOWS:

(1) The fixed monthly charge for wheeling water to the District shall be \$2,346.00 per monthly billing cycle. This charge shall apply regardless of whether or not water is actually delivered to the District during the billing cycle.

(2) The variable charge for wheeling water to the District shall be \$0.286 per hundred cubic feet of water delivered to the District.

(3) This resolution shall take effect and the charges set forth shall apply for any billings made after March 1, 2011.

ADOPTED by the Redmond City Council this 1st day of March 2011.

APPROVED:

MAYOR, JOHN MARCHIONE

ATTEST/AUTHENTICATED:

CITY CLERK, MICHELLE M. MCGEHEE, CMC

(SEAL)

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:
RESOLUTION NO:



City of Redmond 2010 Water & Wastewater Rate Update Issue Paper #3: Updating the SPWSD Wheeling Rate

I. Introduction & Background

The City and Sammamish Plateau Water & Sewer District (SPWSD) are both Cascade Water Alliance Members. SPWSD receives Cascade water through the Bellevue-Issaquah Pipeline and supplies that water to the Plateau Zone; water for the Cascade View Zone is wheeled through Redmond's Novelty Hill Water System. SPWSD pays Redmond for wheeling service – under the existing structure, SPWSD pays both a fixed charge and a volume charge. In recent years, the City's rate-review process has included an evaluation of the SPWSD wheeling rate structure.

SPWSD is currently negotiating an agreement with Ames Lake Water Association (ALWA) to wheel Cascade water to ALWA. While ALWA's current demand request generally does not coincide with SPWSD's wholesale water demands (SPWSD currently takes winter water for its aquifer storage and recovery program; ALWA is initially requesting water to meet its incremental peak demands during July and August), the City has requested that the SPWSD wheeling rate structure be evaluated to verify that it equitably recovers costs from the District based on its expanded capacity needs.

Note: This issue paper discusses incremental cost allocations to SPWSD that are based on the current wheeling capacity needs established by ALWA. Specifically, ALWA has requested 150,000 gallons per day (gpd) of capacity during July and August beginning in 2012 – because this demand does not coincide with SPWSD's demand, it does not increase SPWSD's wheeling capacity requirements. While ALWA's capacity needs are expected to remain at this level until at least 2015, the ALWA demand forecast suggests a significantly higher level of demand by the time ALWA reaches buildout in 2033. The calculations in this issue paper will need to be updated as ALWA grows into its future water demand projections.

II. Analysis

The wheeling rate structure includes both a monthly fixed charge and a volume charge per hundred cubic feet (ccf) of water wheeled to SPWSD. Each of these components is discussed in further detail below.

A. Fixed Charges

The fixed component of the wheeling charge is based on an allocation of depreciation expense to SPWSD based on the incremental demands that it is expected to place on Redmond water system assets. This allocation requires an identification of specific assets that would be used to wheel water to SPWSD – generally speaking, the assets of interest would include pump stations and pipelines along the transmission route. **Exhibit 1** summarizes the key assets in the City of Redmond's system that the City uses to wheel water to SPWSD. These assets form the basis for Redmond's calculation of the wheeling rate applicable to SPWSD.

Exhibit 1: Cost Summary of Assets Used for Wheeling

Asset	Cost	Useful Life	Total Annual Depreciation
Novelty Hill Operations Facility – Treatment Equipment	\$ 37,288	20 Years	\$ 1,864
Novelty Hill Operations Facility – Pumping Equipment	896,498	25 Years	35,860
Novelty Hill Booster Pump Station – Pumping Equipment	1,704,157	25 Years	68,166
Novelty Hill Booster Pump Station	2,667,050	50 Years	53,341
Novelty Hill Booster Pump Station Improvements	116,820	50 Years	2,336
Pipelines Along Transmission Route	774,000	100 Years	7,740
Less: Pipeline Costs Allocated to Fire Protection	(39,816)	100 Years	(398)
Total	\$6,155,997		\$168,910

Exhibit 1 reflects the actual cost of pump stations and related equipment that would be used to wheel water to SPWSD, as documented in the City’s fixed asset records. Due to limitations in documenting actual costs for specific lengths of pipe, the cost of pipelines along the wheeling transmission route is estimated using a representative length and cost of pipe provided by the City. The transmission route from the City to SPWSD consists of 17,200 feet of pipe – assuming an average cost of \$45 per foot of pipe, the estimated cost of the pipeline along the transmission route would cost \$774,000.

Note that **Exhibit 1** includes an adjustment for pipeline costs allocated to fire protection, as the City is providing SPWSD with supply transmission service that does not include fire protection. The allocation of pipeline costs to fire protection is based on an allocation of transmission pipeline capacity to oversizing for fire flow. Consistent with the cost allocations underlying the City’s retail water rates, the 12” pipelines along the transmission route are assumed to be oversized from 10” pipelines to provide fire flow capacity; pipelines larger than 12” in diameter are assumed to be exclusively related to transmission. Because City staff indicated that the Novelty Hill Booster Pump Station is not explicitly used or oversized to provide fire flow capacity, there is no allocation of pump stations to fire protection.

The City’s fixed asset schedules track annual depreciation on pump stations and other water system assets. Annual depreciation on the pipelines used to wheel water to SPWSD is estimated by dividing the estimated cost discussed above by the City’s assumed useful life for water mains (100 years).

Depreciation is allocated to SPWSD based on the estimated capacity shares of the assets used to wheel water through Redmond’s Novelty Hill Service Area. **Exhibit 2** summarizes the assumptions used to estimate the wheeling share of the capacity of the assets listed in **Exhibit 1**:

Exhibit 2: Allocation of Redmond Asset Capacity

Pump Stations	Redmond	SPWSD	Total
Estimated Utilization of Peak-Day Flow Capacity	2,000 gpm	400 gpm	2,400 gpm
Share of Total Pumping Capacity Requirement	83.3%	16.7%	100.0%

Pipelines	Redmond	SPWSD	Total
Flow Capacity Required for Peak-Hour Water Demand	2,000 gpm		
Incremental Capacity Required for Wheeling	0 gpm	400 gpm	400 gpm
Total Flow Capacity Required	2,000 gpm	400 gpm	2,400 gpm
Share of Total Flow Capacity Requirement	83.3%	16.7%	100.0%

Allocation of Assets Involved In Wheeling	Redmond	SPWSD	Total
Pump Stations & Related Equipment	\$4,518,177	\$ 903,636	\$5,421,813
Pipelines	611,820	122,364	734,184
Total	\$5,129,997	\$1,026,000	\$6,155,997
% of Total	83.3%	16.7%	100.0%

In **Exhibit 2**, SPWSD is assigned a share of pumping and pipeline capacity commensurate with its contracted capacity with the City (400 gpm for six months, off-peak).

Exhibit 3 summarizes the allocation of Redmond's depreciation expense to SPWSD:

Exhibit 3: Allocation of Depreciation – Redmond Assets

Allocation of Annual Depreciation Expense	Redmond	SPWSD	Total
Annual Depreciation of Pump Stations			\$161,568
Allocated Share of Pumping Capacity	83.3%	16.7%	100.0%
Allocation of Depreciation of Pump Stations	\$134,640	\$26,928	\$161,568
Annual Depreciation of Pipelines			\$7,342
Allocated Share of Pipeline Capacity	83.3%	16.7%	100.0%
Allocation of Depreciation of Pipelines	\$6,118	\$1,224	\$7,342
Total Allocated Depreciation Expense	\$140,758	\$28,152	\$168,910
<i>Percent of Total</i>	<i>83.3%</i>	<i>16.7%</i>	<i>100.0%</i>

Exhibit 3 indicates that of the total depreciation expense, SPWSD is allocated \$28,152. This forms the basis for the fixed wheeling charge (\$28,152 per year, or \$2,346 per month).

B. Volume Charges

The volumetric wheeling charge is based on an allocation of administrative and operating costs to SPWSD. The calculation of the volume charge is summarized in **Exhibit 4**:

Exhibit 4: Calculation of Wheeling Volume Charge

Wheeling Volume Charge		Notes
Volume Charge for Pumping:		
Electricity Expense	\$35,000	Budgeted 2011 Cost
Total Novelty Hill Water Demand	289,442 ccf	Projected 2011 Demand
Average Pumping Cost per ccf	\$0.121	
Volume Charge for Other Expenses:		
Total Operating Expenses	\$2,209,038	Budgeted 2011 Cost
Less: Electricity Expenses	(35,000)	Included in Pumping Volume Charge
Less: Non-Allocable Operating Expenses	(1,874,726)	Purchased Water, Excise Taxes, Meter-Related Expenses
Less: Other Costs Allocable to Customer and Fire Protection	(33,943)	Per Redmond 2010 Water Cost-of-Service Analysis
Net Allocable Operating Costs	\$ 265,369	
Total Novelty Hill Water Assets	\$31,025,007	Original Cost as of 12/31/09
Less: Novelty Hill Water Assets Allocated to Fire Protection	(3,503,980)	Per Redmond 2010 Water Cost-of-Service Analysis
Net Novelty Hill Water Assets	\$27,521,027	
Percent of Net Water Assets Used for Wheeling	50.0%	City Staff Estimate (Integrated Network)
Percent of Total Water Assets Used for Wheeling	44.4%	$\$27,521,027 \times 50.0\% / \$31,025,007 = 44.4\%$
Operating Costs Allocable to Assets Used for Wheeling	\$ 117,699	Net Allocable Operating Cost \times Wheeling Share of Total Assets
Share of Assets Allocated to Wheeling	16.7%	SPWSD Share per Exhibit 2
Other Operating Costs Allocated to Wheeling	\$ 19,617	$\$117,699 \times 16.7\% = \$19,617$
Projected SPWSD Demand	140,535 ccf	400 gpm for six months, off-peak
Average Cost per ccf for Allocable Operating Expenses	\$0.140	$\$19,617 / 140,535 \text{ ccf} = \0.140
Base Volume Charge per ccf	\$0.261	Average Cost per ccf for Pumping & Other Operations
Plus: Allocated Administrative Costs (9.7% Markup)	0.025	
Total Volume Charge per ccf	\$0.286	

The principles guiding the allocation of Redmond costs to SPWSD are summarized below:

- ◆ Certain non-applicable budget items were excluded, including water purchases, excise taxes, and meter installation expenses.
- ◆ Pumping power (electrical) costs were divided by the estimated retail volume to determine an average cost of \$0.121 per ccf. This analysis assumes a linear relationship between the volume of water pumped and the City’s electricity costs, where incremental ccf of water pumped through to SPWSD would increase the City’s power costs by \$0.121, the average cost of power per ccf in the City of Redmond’s Novelty Hill Service Area.
- ◆ Remaining budget items were further separated and reduced. In particular, costs attributable to fire protection, as determined during the City’s most recent cost-of-service rate analysis, are excluded from the cost basis.
- ◆ A share of the remaining operating budget was allocated to SPWSD based on the allocation of assets to wheeling. Based on an estimate from City staff, this analysis assumes that 50% of the water system’s assets (excluding those related to fire protection) are used for wheeling – this is based on the premise that the Novelty Hill Water System is an integrated network of infrastructure that works together to deliver water to SPWSD and the City’s other customers. This percentage is somewhat higher than the assumption used in prior reviews of the wheeling rate, accounting for the fact that the wheeling transmission route must be expanded to deliver water to an additional master meter to eventually get to ALWA. The allocated cost is then divided by the anticipated SPWSD wheeling volume to determine a unit cost of roughly \$0.140 per ccf.
- ◆ Department administrative costs were expressed as a percentage of the operating budget and treated as an overhead mark-up to direct operating expenses; they represented about a 9.7% mark-up on the operating budget.

III. Conclusions

Exhibit 5 summarizes the updated SPWSD wheeling rate:

Exhibit 5: SPWSD Wheeling Rate

	Existing	Updated
Annual Fixed Charge	\$13,059	\$28,152
<i>Equivalent Monthly Fixed Charge</i>	<i>\$1,088</i>	<i>\$2,346</i>
Volume Charge per ccf	\$0.240	\$0.286

Exhibit 5 shows a significant increase in the fixed charge due to an increase in the annual depreciation expense and an increase in the share of depreciation allocated to SPWSD. Much of this increase is due to a revision in how pumping facilities are allocated to SPWSD – while prior rate reviews have allocated SPWSD a share of facilities based on its share of total capacity, the current analysis reflects an allocation based on SPWSD’s share of utilized capacity. This change effectively allocates SPWSD a proportionate share of unused capacity. It shows an increase in the volume charge commensurate with the increased allocation of pumping facilities to SPWSD, which is partially offset by another revision in the methodology used to allocate costs to SPWSD. SPWSD’s current volume rate is based on an allocation of the Novelty Hill Service Area’s operating costs to SPWSD based on its share of capacity in the assets used for wheeling. The revised methodology involves a similar calculation, but allocates a share of the Novelty Hill Service Area’s operating expenses to the assets used for wheeling before allocating costs to SPWSD based on its share of capacity in those assets.

Assuming that SPWSD uses the maximum capacity allowed under its agreement with the City (400 gpm) for six months, its 2011 payment under the wheeling rate structure shown in **Exhibit 5** would be \$68,298. SPWSD would also pay the wheeling volume charge on incremental water needed to meet ALWA’s demands, which would add roughly \$3,550 to its total annual bill under the proposed wheeling rate structure. This cost allocation assumes that ALWA demands are not additive to SPWSD’s demand – if ALWA demands do become additive, SPWSD’s allocated share of capacity in the Novelty Hill water system will increase.

AGREEMENT FOR WATER SYSTEM INTERTIE Contract #4795
BETWEEN THE
CITY OF REDMOND AND THE
SAMMAMISH PLATEAU WATER AND SEWER DISTRICT
(CASCADE VIEW/NOVELTY HILL – NE 80th STREET INTERTIE)

This Agreement (“Agreement”) is made and entered into this 11 day of February, 2005 between the Sammamish Plateau Water & Sewer District (“District”), a Washington municipal corporation, and the City of Redmond (“City”), a Washington municipal corporation, (individually a “Party” and collectively the “Parties”) for the purposes set forth herein.

W I T N E S S E T H:

WHEREAS, the City is a non-charter, optional municipal code city organized and operating pursuant to Chapter 35A RCW; and

WHEREAS, the District is organized and operating pursuant to Title 57 RCW and is authorized to operate a water system within and without its boundaries; and

WHEREAS, the District has a need for additional water supply to a portion of its service area called the Cascade View Zone, as depicted on Exhibit A, which shall include if annexed to the District in the future, the Dawn Breaker Water Association and the rural portion of the Redmond Ridge East Pan Handle, in addition to all other expansions to this Zone as defined in future District Comprehensive Water Plans; and

WHEREAS, the District and the City are members of the Cascade Water Alliance (“CWA”) which provides water supply to its members through a regional water system; and

WHEREAS, the District’s Cascade View Zone is not connected to the District’s Plateau Zone that will be receiving water directly from CWA; however, the District’s water system in the Cascade View Zone may be connected through an intertie to the City’s water system, which receives water supply from CWA; and

WHEREAS, CWA is willing to supply water to the District’s Cascade View Zone by wheeling such water through an intertie with the City’s water system; and

WHEREAS, the District is willing to install an intertie and transmission main between the City's and the District's water distribution systems at the District's sole cost and pay the City a wheeling charge to wheel water from CWA to the District.

NOW, THEREFORE, in consideration of the following terms and conditions, the Parties agree as follows:

- 1.0** **Purpose.** The purpose of this Agreement is to provide an intertie between the distribution systems of each party to allow the District with access to the CWA water supply.
- 2.0** **Description of Intertie.** The Cascade View/Novelty Hill – NE 80th Street intertie (“Intertie”) shall be constructed by the District at its sole cost and operated by the Parties under the terms of this Agreement. The Intertie shall be as follows:
 - 2.1** The Intertie shall allow the District to obtain water, wheeled through the City's distribution system, from the regional system in accordance with the District's contract with CWA.
 - 2.2** The Intertie shall consist of a connection to the City's existing distribution system within Redmond Ridge Road near its intersection with NE 80th Street, and a Metering Vault to measure total flow and prevent the flow of water from the District's water system into the City's water system.
 - 2.3** The District shall install the Metering Vault within 200-feet of their connection to the City's system.
 - 2.4** The Intertie shall have a normal operating capacity of 200-gpm, for approximately 160 acre/feet per year of CWA water to supplement the District's ground water supplies and a short term maximum capacity of 400-gpm as needed when the District's two production wells are out of service.
 - 2.5** The District shall be responsible for increasing the water pressure of the water supplied by the City as necessary to the required operating pressures of the District's Cascade View Zone. The District's installation of a

booster station to provide the pressure increase shall be on the District's side of the Intertie.

3.0 Construction.

- 3.1 The District shall undertake the Intertie through a wet tap of the City's existing 12-inch water main north of the City's emergency intertie with the Union Hill Water Association's water system located at Redmond Ridge Drive and NE 80th Street as depicted on Exhibit A (the "Union Hill Intertie").
- 3.2 The Intertie shall only provide flow to the District and will not be designed or constructed to provide flow from the District to the City.
- 3.3 The District shall be responsible for the installation of a Metering Vault that will contain a 4-inch flow meter to measure the quantity of water provided to the District by the City and a check valve to prevent water flow from the District to the City.
- 3.4 The District shall install a control valve and any necessary booster pumps on the District's side of the Metering Vault to maintain a set rate of flow that is manually or remotely adjustable.
- 3.5 The District's responsibilities shall include, but not be limited to, design, preparation of permit applications, project administration, construction and construction inspection for the Intertie.
- 3.6 The City's responsibilities shall include review of the plans and specifications for the Intertie and review of applicable permit applications.
- 3.7 The plans and specifications for the Intertie construction shall meet or exceed the construction standards of the District, as the owner of such intertie and shall be subject to review and approval of the City. The City shall have the right to inspect all work on the Intertie at all reasonable times to assure conformance with approved plans and specifications.

- 5.0 Construction Schedule.** The District shall complete the installation of the Intertie within sixty (60) days of the effective date of this Agreement.

6.0 **Intertie Project Costs.** The term “cost” as used in this section shall include, without limitation, all actual costs of labor, materials, permitting, equipment, engineering, inspection, right-of-way, legal costs, publication, SEPA compliance and any costs customarily incurred in such projects. The District shall pay and be solely responsible for all costs for the Intertie.

7.0 **Ownership.** The District shall own the Intertie.

8.0 **Maintenance.** The District shall maintain the Intertie in good working order in accordance with sound maintenance procedures, good engineering practices and applicable laws, rules and regulations. Maintenance shall include meter calibration, to be performed no less frequently than every 2 years from the date of installation of the meter.

9.0 **Destruction and Replacement.** District shall be responsible to repair and replace all or any part of the Intertie in the event of its partial or total damage, loss or destruction at District’s sole cost and expense.

10.0 **Notification, Use, and Payment.**

10.1 **Notification.**

10.1.1 The District shall provide the City with notification by CWA stating that water is available for the District’s use at Cascade’s meter that serves Redmond’s Novelty Hill Service Area.

10.1.2 The District shall provide the City with 48-hours notice prior to the start of any use of the Intertie to deliver water from the City to the District. The District shall notify the City of the anticipated rate of flow that is to be received and for what period of time the flow is to be maintained. The District shall notify the City with 24-hours notice prior to changes in the District’s rate of flow that will

impact the rate of flow that the City takes from the Tolt Supply System.

- 10.1.3** The District shall notify the City with 48-hours notice prior to discontinuing the use of the intertie.
- 10.1.4** The District shall maintain continuous reading of the rate of flow and weekly readings of the total quantity of water received from the City, and shall provide the City with copies of such reports.
- 10.1.5** The District shall provide the City and CWA with monthly reports showing the usage for each calendar month plus an unaccounted water loss factor of 2% of the monthly use.
- 10.1.6** The City shall give the District 48-hours notice prior to any operations that may impact the District's use of the Intertie, including but not limited to watermain shutdowns that reduce or eliminate the supply to the Intertie, changes in operating pressure by more than 20 pounds per square inch, introduction of chemicals other than chlorine and fluoride and construction activities in the immediate vicinity of the Intertie.
- 10.1.7** In the case of an emergency, where unforeseen circumstances of a short duration result from a failure of the District's water system equipment or piping that necessitates transfer of water to meet life safety demands and satisfy minimum levels of service for customers, the District shall be allowed immediate use of the Intertie as long as immediate notification is provided to the City stating the anticipated rate of flow that is to be received and for what period of time the flow is to be maintained.
- 10.1.8** In the case of an emergency, where unforeseen circumstances of a short duration result from a failure of the City's water system equipment or piping that impacts the ability of the City to provide the District with water, the City shall be allowed to shut down the Intertie as long as immediate notification is provided to the District stating the duration of the emergency and immediate notification is

provided to the District as soon as the City's water system operations are restored such that the Intertie is safe to operate.

10.2 Use.

10.2.1 The District shall be allowed use of the Intertie as needed in accordance with the terms of this agreement, at the District's sole discretion, to obtain water provided to the District under its contract with CWA. This use and discretion is limited and Redmond only agrees to wheel water to the District that is in excess of the City's demand if Seattle or CWA limits flow rates at the CWA meter serving Redmond's Novelty Hill service area.

10.2.2 A normal operating flow of 200-gpm shall be allowed to meet its Cascade View Zone's system demands for an estimated 160 acre/feet of water per year.

10.2.3 A maximum flow of 400-gpm shall be allowed for up to 8-week to support the Cascade View system demands when both wells have been taken out of service.

10.3 Payment for Water Delivered.

10.3.1 The District shall pay directly to CWA for water wheeled through the Intertie to the District at CWA rates in effect at the time of the sale and delivery of the water to the District.

10.3.2 The District shall pay directly to the City a Wheeling charge for the water delivered to the District through the Intertie at fixed and variable rates set through the City's rate setting processes and established by resolution of the City.

10.3.3 The City shall read the meter and invoice the District for the Wheeling charge associated with the water delivered to the District through the Intertie. The City shall own, install, operate and maintain any radio read system required for reading of the meter other than the District's Remote Read Head.

11.0 General.

- 11.1 Duration.** The parties acknowledge and agree: (1) that the use of the Intertie is essential to the operations of District in providing water service to its customers; and, (2) that District will rely upon the continued existence of the Intertie and rights of usage granted hereunder in its long range planning and issuing bonds, notes and other financing documents. Thus, each Party covenants and agrees with the other not to interfere with the other's rights granted hereunder; not to violate applicable laws, rules and regulations of agencies with regulatory jurisdiction over the parties; and not to take any action inconsistent with this Agreement.
- 11.2 Termination.** This Agreement may be terminated through 2-month written notice by the District, 2-years written notice by the City, or the termination of either parties membership in CWA.
- 11.3 Not a Partnership.** This Agreement shall not constitute or create a partnership or a joint venture.
- 11.4 Compliance with Laws and Regulations.** Each Party shall, with respect to its duties, responsibilities and operations hereunder, comply with all applicable laws, rules and regulations governing the same. The District shall submit construction drawings for the Intertie to the Washington State Department of Health for approval and shall be responsible to comply with the requirements of RCW 90.03.383.
- 11.5 Specific Performance.** In addition to all other remedies available to a party hereunder, whether in law or equity, each party to this Agreement shall have the right to seek and obtain specific performance of the terms hereof. The parties agree that damage occurring by reason of the breach

hereof is difficult, if not impossible, to ascertain and that remedies of law are inadequate.

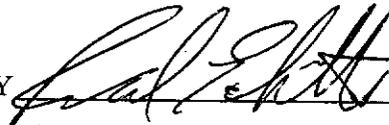
- 11.6 Assignment.** Neither party shall have the right in whole or in part to assign this agreement or its rights and obligations hereunder or its interest in the Intertie without prior written consent of the other party, which shall not be unreasonably withheld, delayed, or conditioned.
- 11.7 Authority.** This Agreement is entered into by the parties hereto pursuant to the authority contained in RCW 35.67.300, RCW 39.34.080 and RCW 57.08.005.
- 11.8 Attorney's Fees.** If a suit or other action is instituted in connection with any controversy arising out of this Agreement, the prevailing party shall be entitled to recover all of its costs and expenses including such sum as the court may judge reasonable for attorneys' fees, including fees upon appeal of any judgment or ruling.
- 11.9 Non Waiver.** No waiver by either party of any term or condition of this Agreement shall be deemed or construed as a waiver of any other term or condition or of any breach hereof, whether pertaining to the same or a different provision of this Agreement.
- 11.10 Severability.** If any section, subsection, sentence, clause, phrase, or other portion of this Agreement is, for any reason, declared invalid, in whole or in part of any court or agency of competent jurisdiction, said decision shall not affect the validity of the remaining portions hereof.
- 11.10 Indemnity.** Each Party agrees to indemnify, defend and hold harmless the other party, its officers, agents, and employees, from and against any and all claims, losses, or liability, for injuries, sickness or death of persons, or

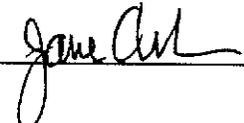
damage to property, arising out of any willful misconduct or negligent act, error, or omission of the indemnifying party, its officers, agents, subcontractors or employees, in connection with actions taken pursuant to this Agreement. Provided, however, that the indemnifying party's obligations to indemnify, defend and hold harmless for injuries, sickness, death or damage caused by or resulting from the concurrent negligence or willful misconduct of the indemnitee and the indemnifying party, or of the indemnifying party and a third party other than an officer, agent, subcontractor or employee of the indemnifying party, shall apply only to the extent of the negligence or willful misconduct of the indemnifying party.

- 12.0 Execution of Documents.** Each Party agrees to execute any and all documents and instruments necessary to give effect to and carry out the terms of this Agreement and to obtain the necessary approval of the same by government agencies as required by law.
- 13.0 Effective Date.** This Agreement shall be effective upon the approval of the Agreement by the legislative bodies of both Parties and the execution of the Agreement by the Parties' authorized representatives.

SAMMAMISH PLATEAU
WATER & SEWER DISTRICT

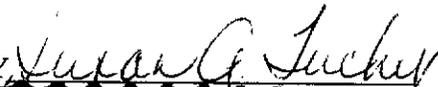
CITY OF REDMOND

BY 
Ronald E. Little, General Manager
Date 1-26-05

BY 
Date 2-11-05

ATTEST:

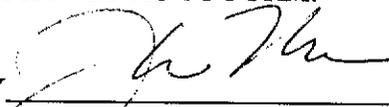
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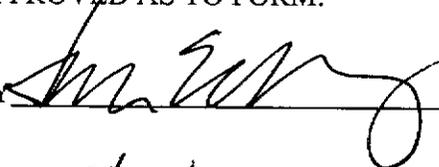
BY 
Susan A. Tucker, Notary Public
Notary Public
State of Washington
Date 1/26/05
SUSAN A. TUCKER
My Appointment Expires Apr 1, 2006

BY 
Bonnie Matson, City Clerk
Date 2/14/05

APPROVED AS TO FORM:

APPROVED AS TO FORM:

BY 
John Milne, District's Attorney
Date 1/26/05

BY 
Date 2/10/05

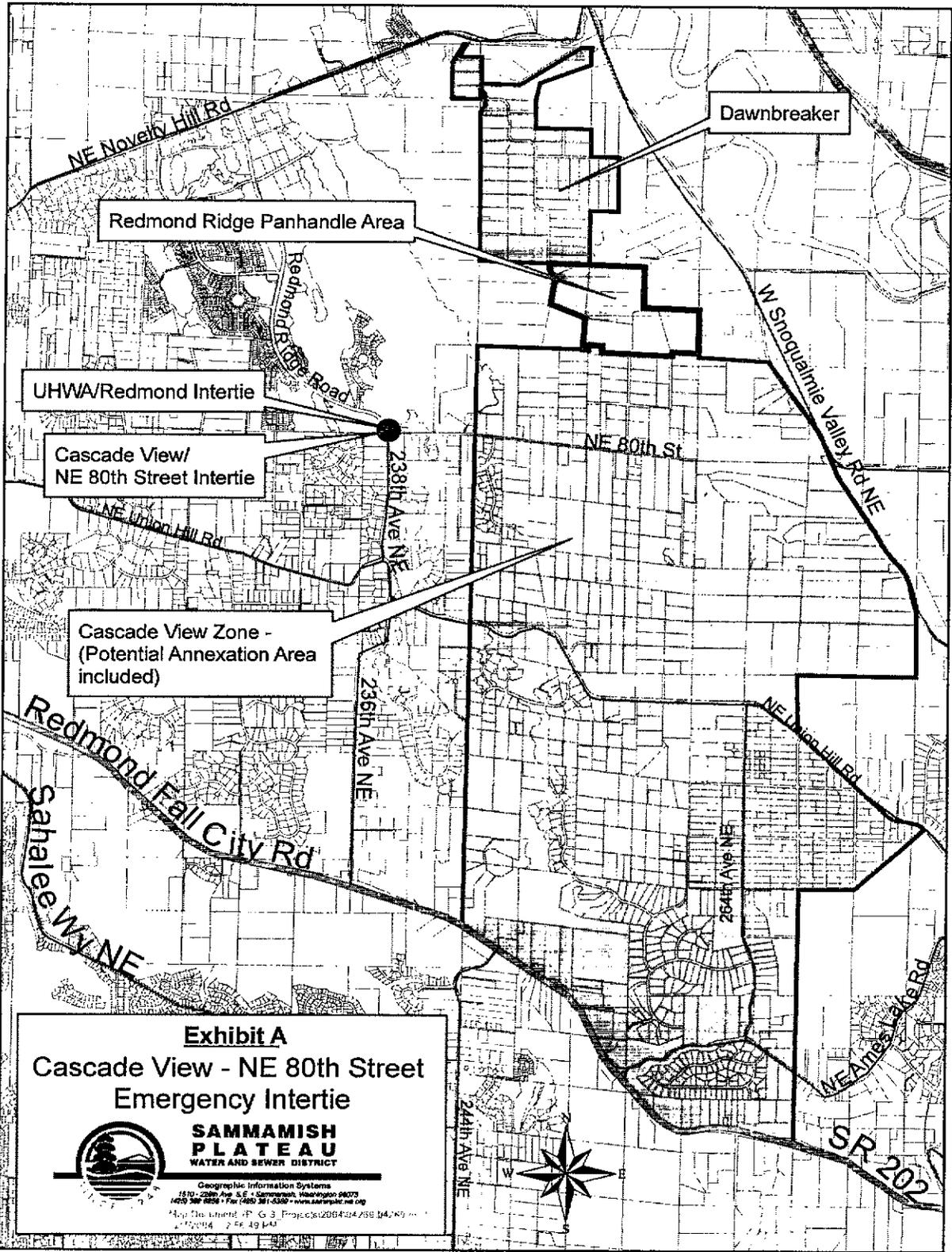


Exhibit A
Cascade View - NE 80th Street
Emergency Intertie



**SAMMAMISH
 PLATEAU**
 WATER AND SEWER DISTRICT

Geographic Information Systems
 1610 - 220th Ave S.E. • Sammamish, Washington 98073
 425 388 8256 • Fax 425 381 5300 • www.sammamishwa.com
 Map Document: P_G_3_Projects\2004\34258\34269
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