



REGULAR MEETING OF THE BOARD OF DIRECTORS
AGENDA
BELLEVUE CITY HALL - ROOM 1E-108
April 24, 2013
3:30 PM

	<u>Page</u>
1. CALL TO ORDER	
2. ROLL CALL	
3. PUBLIC COMMENT	
4. EXECUTIVE SESSION	
5. APPROVAL OF AGENDA	
6. CHIEF EXECUTIVE OFFICER'S REPORT	<u>3</u>
7. CONSENT ITEMS	
a. Regular Board Meeting Minutes of March 27, 2013	<u>23</u>
b. Motion to authorize the Chief Executive Officer to execute the 2013 Redmond Derby Days Sponsorship Agreement in the amount of \$2,500.	<u>26</u>
c. Motion to authorize the Chief Executive Officer to execute the 2013 Issaquah Concerts on the Green Series Sponsorship Agreement in the amount of \$2,000.	<u>27</u>
d. Motion to authorize the Chief Executive Officer to negotiate and execute a contract for the SCADA controls upgrade project, in an amount not to exceed \$65,000.	<u>28</u>
8. OTHER ACTION ITEMS	
a. Motion to adopt Resolution No. 2013-04, authorizing Cascade's Chief Executive Officer to finalize and execute an agreement with the City of Seattle in substantially the same form as the attached April 16, 2013, Final Draft 2 nd Amended and Restated Declining Block Water Supply Agreement.	<u>29</u>
9. STAFF PRESENTATIONS	

10. COMMITTEE REPORTS
 - a. Executive Committee – *no meetings held*
 - b. Finance and Management Committee – *April 18, 2013* 38
 - c. Public Affairs Committee – *April 9, 2013* 40
 - d. Resource Management Committee – *April 18, 2013* 43
11. NEW BUSINESS
12. NEXT REGULAR MEETING – *May 22, 2013 – Bellevue City Hall – 3:30 p.m.*
13. ADJOURN

NOTE: AS ALLOWED BY STATE LAW, THE BOARD OF DIRECTORS MAY ADD AND TAKE ACTION ON ITEMS NOT LISTED ON THE AGENDA.

Directions to Bellevue City Hall
450 110th Avenue NE, Bellevue, WA 98004
(425) 452-6800

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Take NE 4th Street exit

Head West on NE 4th Street

Turn right onto 110th Avenue NE

Proceed ½ block on 110th Avenue NE and turn right into the entrance of Bellevue City Hall's visitor parking lot.

**BE SURE TO HAVE YOUR PARKING VALIDATED AT THE SERVICE FIRST
DESK ON YOUR WAY IN TO THE MEETING**

April 24, 2013



MEMORANDUM

DATE: April 24, 2013

TO: John Marchione, Chair
Board of Directors
Chuck Clarke, Chief Executive Officer

FROM: Ed Cebron, Economist
Scott Hardin, Director of Finance & Administration

SUBJECT: Monthly Economic and Finance & Administration Report

Water Contract Negotiations

The first payment to Tacoma (\$5 million) has been made under the new agreement. We are no longer making wholesale water payments. The Seattle extension agreement is essentially complete. The financial terms have remained as represented in the term sheet with no changes. Other concerns have been addressed and resolved, with one exhibit (a map) in production. This agreement is on the agenda for authorization.

2014 Rates and Member Data Request

An annual data request was distributed to member staff in early January. The data summarizes 2012 customer base and water usage, and is necessary to develop rates for 2014. The request has been expanded somewhat to better support demand forecasting and special studies. The deadline for data submittal was March 31st.

As of April 18th, here is the status:

	<u>Member Data Request</u>	<u>Secondary Special Request</u>
Bellevue	Complete	Complete
Issaquah	Complete	None
Kirkland	Complete	Complete
Redmond	None	None
Sammamish Plateau	Complete	Complete
Skyway	None	None
Tukwila	Complete	Complete

2012 Audit

Auditing firm Clark Nuber conducted its annual outside audit of Cascade's fiscal year 2012 during the week of April 8, 2013. The auditors examined Cascade's financial reports, internal controls, and compliance with policies and procedures. The auditors will present the results of its audit at a meeting of the Finance and Management Committee within the next few months.

The State Auditor's Office will conduct a separate annual audit of Cascade sometime during the fall.

RCFC Accounting and Taxes

Following the receipt of payment from Cascade for purchase of all outstanding RCFC credits in December 2012, the four receiving Cascade Members sought advice from Cascade on the proper accounting entry to make to recognize the receipt in their financial records. The Members also sought guidance on proper reporting (for all Cascade Members) of RCFC revenue to the state for B and O tax purposes. In consultation with Cascade's external auditing firm, Clark Nuber, Cascade prepared and distributed an Advisory Memorandum on April 4, 2013, that addressed the questions that were raised.

Document Management

Cascade is issuing a Request for Proposals (RFP) on April 22, 2013, to select a vendor for the acquisition and implementation of an electronic document management system. The RFP may be viewed on Cascade's website and the submission deadline is 2:00 p.m. PST on May 21, 2013. The RFP will be used to select a hardware and software vendor for the new system.

2006 Bonds Arbitrage Report

Cascade has issued a RFP to select a firm to prepare an arbitrage report for the bonds that Cascade issued in 2006. After conducting a random review of the 2006 bonds, the Internal Revenue Service has asked Cascade to submit an arbitrage report. If the arbitrage report determines that Cascade earned more in interest revenue than it paid in debt interest over a certain period, Cascade may need to make a rebate payment to the federal government.

Public Works Trust Fund (PWTF) Loan Possibility Update

The Public Works Board (PWB) is delaying the 2015 Construction Loan application cycle pending potential adjustments from the state legislature or governor's office. The application process is now anticipated to begin sometime in May 2013. The PWB provides construction loans to local governments to finance critical public infrastructure systems. Governments may borrow up to \$5 million at very low interest rates, ranging from 0.5% to 2.0% depending on the length of the repayment term (10 to 30 years). Cascade staff is investigating the possibility of borrowing PWTF money to delay the need for bond financing even further into the future (beyond the current borrowing need timeframe of 2017-2018).

Attachments

1. Budget to Actual Expenditure Report through March 31, 2013
2. Statement of Revenues and Expenditures through March 31, 2013
3. Statement of Net Position as of March 31, 2013
4. Contract Status Summary
5. Monthly Warrants Listing
6. Monthly Treasurer's Report as of March 31, 2013

Cascade Water Alliance
Budget to Actual Expenditure Report
January 1-March 31, 2013
25% of the year completed

Attachment 1

Administration		Budget	Actual	Balance	% Expended
Salaries	\$	831,318	\$ 254,756	576,562	30.6%
Benefits		304,606	141,982	162,624	46.6%
Prof. Fee (Technical)		140,000	75,849	64,151	54.2%
Prof. Fee (Legal)		555,000	121,207	433,794	21.8%
Prof. Fee (Audit)		58,000	11,308	46,692	19.5%
Prof. Fee (Other)		80,000	3,295	76,705	4.1%
Meetings Expense		4,500	2,691	1,809	59.8%
Equipment Rental		8,000	4,649	3,351	58.1%
Telephone/Internet		20,300	6,706	13,594	33.0%
Office Rent		162,000	70,715	91,285	43.7%
Office Supplies Adm		20,000	3,395	16,605	17.0%
Equip.and Furniture		12,000	1,031	10,970	8.6%
Bank fees		1,100	95	1,005	8.6%
Dues & Subscriptions		17,000	16,507	493	97.1%
Taxes/Licenses		2,400	1,520	880	63.3%
Travel		9,750	1,784	7,966	18.3%
Professional Dev.		26,100	1,160	24,940	4.4%
Computer Equipment		12,000	198	11,802	1.7%
Software Licenses		10,000	1,883	8,117	18.8%
Postage & Delivery		4,000	1,029	2,971	25.7%
Printing & Repro.		9,000	100	8,900	1.1%
Insurance		20,000	12,500	7,500	62.5%
Total	\$	2,307,074	\$ 734,360	\$ 1,572,714	31.8%

Debt Service		Budget	Actual	Balance	% Expended
Interest Expense		11,392,167	1,709,656	9,682,511	15.0%
Total	\$	11,392,167	\$ 1,709,656	\$ 9,682,511	15.0%

Planning		Budget	Actual	Balance	% Expended
Salaries	\$	22,000	\$ 8,164	13,836	37.1%
Benefits		5,000	135	4,865	2.7%
Prof. Fee (Technical)		55,000	50,973	4,027	92.7%
Prof. Fee (Legal)		95,000	42,984	52,017	45.2%
Dues & Subscriptions		2,000	0	2,000	0.0%
Total	\$	179,000	\$ 102,255	\$ 76,745	57.1%

Conservation		Budget	Actual	Balance	% Expended
Salaries	\$	148,355	\$ 42,546	105,809	28.7%
Benefits		49,452	1,345	48,107	2.7%
Prof. Fee (Legal)		2,500	1,654	846	66.2%
Rebate Reimb.- Res.		50,000	21,232	28,768	42.5%
Rebate Reimb - Com.		275,000	6,846	268,154	2.5%
Fixture Replace		149,000	2,058	146,942	1.4%
Irrigation Audit		70,000	12,327	57,673	17.6%
Dues & Subscriptions		20,000	0	20,000	0.0%
Comm. and Public I		130,000	34,620	95,380	26.6%
Travel		500	375	125	75.0%
Printing & Repro.		12,000	0	12,000	0.0%
Misc. Serv and Sup.		36,500	1,095	35,405	3.0%
Total	\$	943,307	\$ 124,098	\$ 819,209	13.2%

Com. and Intergovern		Budget	Actual	Balance	% Expended
Salaries	\$	80,000	\$ 21,985	58,015	27.5%
Benefits		1,500	365	1,135	24.3%
Prof. Fee (Technical)		20,000	17,179	2,821	85.9%
Prof. Fee (Legal)		30,000	28,113	1,888	93.7%
Prof. Fee (Other)		369,000	58,967	310,033	16.0%
Sponsorships		11,000	5,500	5,500	50.0%

Cascade Water Alliance
Budget to Actual Expenditure Report
January 1-March 31, 2013
25% of the year completed

Attachment 1

Meetings Expense	1,500	948	552	63.2%
Telephone/Internet	1,300	554	746	42.6%
Dues & Subscriptions	65,000	2,917	62,083	4.5%
Comm. and Public I	145,000	26,689	118,311	18.4%
Travel	250	62	188	25.0%
Total	\$ 724,550	\$ 163,279	\$ 561,271	22.5%

Operations-General	Budget	Actual	Balance	% Expended
Wholesale Water	\$ 22,486,154	\$ 4,202,264	\$ 18,283,890	18.7%
Salaries	76,490	12,702	63,788	16.6%
Benefits	35,497	205	35,292	0.6%
Prof. Fee (Other)	2,500	2,308	192	92.3%
Utilities	1,500	794	706	53.0%
BIP O&M	40,000	11,349	28,651	28.4%
Pipeline Prop. O&M	20,000	19,046	954	95.2%
PWTF Loan Debt	42,040	0	42,040	0.0%
Total	\$ 22,704,181	\$ 4,248,669	\$ 18,455,512	18.7%

Operations-Lake Tapps	Budget	Actual	Balance	% Expended
Salaries	\$ 300,000	\$ 93,635	\$ 206,365	31.2%
Benefits	90,000	3,266	86,734	3.6%
Prof. Fee (Technical)	750,000	80,730	669,270	10.8%
Prof. Fee (Legal)	156,000	29,350	126,650	18.8%
Prof. Fee (Other)	20,000	500	19,500	2.5%
Meetings Expense	1,500	346	1,154	23.0%
Equipment Rental	3,000	723	2,277	24.1%
Telephone/Internet	4,000	3,429	571	85.7%
Office Supplies	2,000	1,583	417	79.2%
Equipment & Furn	4,000	2,013	1,987	50.3%
Utilities	60,000	15,405	44,595	25.7%
Taxes/Licenses	3,000	2,159	841	72.0%
Travel	16,000	3,738	12,262	23.4%
Professional Dev.	750	0	750	0.0%
Software Licenses	2,000	0	2,000	0.0%
Insurance	50,000	41,257	8,743	82.5%
Permitting Costs	10,000	3,241	6,759	32.4%
Misc. Serv. and Sup.	19,000	311	18,689	1.6%
Operating Contingency	422,500	0	422,500	0.0%
LT Operator	1,500,000	355,710	1,144,290	23.7%
Unplanned O&M	10,000	0	10,000	0.0%
Vendor Services	12,000	7,406	4,594	61.7%
Security	20,000	1,091	18,909	5.5%
Road Maintenance	10,000	0	10,000	0.0%
Milfoil Control	50,000	0	50,000	0.0%
Misc. Facility Repairs	40,000	29,167	10,833	72.9%
USGS Joint fund	232,864	0	232,864	0.0%
River Watershed Model	47,136	3,792	43,345	8.0%
General LT O&M	9,700	8,845	855	91.2%
Total	\$ 3,845,450	\$ 687,698	\$ 3,156,898	17.9%

Capital Projects (multi-yr bdgt not shown)	Budget	Actual	Balance	% Expended
Salaries	19,500	\$ 0	\$ 0	N/A
Benefits	6,500	10	6,490	N/A
Lake Tapps	1,375,000	0	1,375,000	0.0%
BIP	100,000	0	100,000	0.0%
Tacoma Agreement	10,000,000	10,000,000	0	100.0%
Seattle Agreement	5,000,000	0	5,000,000	0.0%
Total	\$ 16,481,500	\$ 10,000,010	\$ 6,481,490	60.7%

Cascade Water Alliance
Statement of Revenues and Expenditures
From 1/1/2013 Through 3/31/2013

Attachment 2

Operating Revenue	
Water sales	\$ 5,494,284
Administrative dues	2,729,012
Conservation program	161,689
Total Operating Revenue	<u>8,384,985</u>
Operating Expenses	
Cost of water sold	3,056,192
Salaries and benefits	548,906
Professional services	553,584
Conservation program	37,723
Depreciation and amortization	1,214,937
Communication and public information	61,059
Office expenses	86,291
Operations	377,205
Bank Charges	95
Rent	41,468
Maintenance	43,881
Dues and subscriptions	19,174
Miscellaneous	815
Total Operating Expenses	<u>6,041,331</u>
Operating Income	2,343,654
Non-Operating Revenue (Expenses)	
Interest income	75,391
Other Income	89,774
Interest expense, net of amount capitalized	(1,709,656)
Total Non-Operating Revenue (Expenses)	<u>(1,544,490)</u>
Capital Contributions	
Regional Capital Facilities Charges	2,140,783
Increase in Net Assets	2,939,946
Net assets, beginning of year	60,394,508
Net Assets, End of Year	\$ 63,334,454

Cascade Water Alliance
Statement of Net Position
As of 3/31/2013

Attachment 3

Assets

Current Assets

Cash and cash equivalents	\$ 23,494,287
Accounts receivable	4,958,291
Prepaid expenses	60,822
Total Current Assets	<u>28,513,400</u>

Capital Assets

Equipment and furniture	1,031,745
Seattle water contract	204,216
Bellevue Issaquah pipeline	22,049,184
Tacoma water contract	142,897,795
Less accumulated depreciation and amortization	(9,333,669)
Total Capital Assets	<u>156,849,271</u>

Projects in process and assets not yet in service:

Lake Tapps	78,869,110
Tacoma Cascade pipeline	27,048,424
Eastside reservoir	262,567
Total Projects in process and assets not yet in service:	<u>106,180,100</u>

Restricted cash and cash equivalents 55,044,074

Other long-term assets 1,904,305

Total Assets 348,491,150

Liabilities

Current Liabilities

Payables and accrued liabilities	821,071
Retroactive water credit	2,129,638
Accrued interest	1,009,178
Total Current Liabilities	<u>3,959,887</u>

Long-term Liabilities

Long term debt	164,043,159
Tacoma Contract	109,740,687
Bond premium, net of amortization	7,412,963
Total Long-term Liabilities	<u>281,196,808</u>
Total Liabilities	<u>285,156,696</u>

Net Assets

Restricted for debt service	24,073,020
Unrestricted	39,261,435
Total Net Assets	<u>63,334,454</u>

Total Liabilities & Net Assets \$ 348,491,150

Consultant Contract Status Summary

Attachment 4

Open contracts

Vendor	Contract number	Contract title	Cascade manager	Effective date	End date	Status date	Percent work completed	Contract amount, including amendments	Amount Invoiced	Percent Invoiced	Contract balance
AECOM	Phase 2	Lake Tapps operational assessment	J. Shimada	12/17/2008	N/A	4/15/2013	75%	\$ 790,806	\$ 592,956	75%	\$ 197,350
Advance Irrigation	1	Best Management Practices	M. Brent	1/23/2013	12/31/2012	4/15/2013	0%	\$ 6,000	\$ -	0%	\$ 6,000
Adventures	1	Website Management	E. Kraft	1/28/2013	12/31/2013	4/15/2013	25%	\$ 40,000	\$ 18,212	46%	\$ 21,788
All Wood Recycling	1	Waste Toilet Recycling	M. Brent	1/7/2013	12/31/2013	4/15/2013	0%	\$ 25,000	\$ -	0%	\$ 25,000
Carollo	1	Energy Evaluation of Issaquah's water and wastewater systems	M. Brent	10/25/2012	5/31/2013	4/15/2013	0%	\$ 23,000	\$ 4,807	21%	\$ 18,193
CASNE	1	Valve system control system recommissioning project	J. Shimada	10/30/2012	N/A	4/15/2013	80%	\$ 43,006	\$ 13,450	31%	\$ 29,556
CASNE	2	Advice on SCADA RFQ development and evaluate proposals.	J. Shimada	2/25/2013	N/A	4/15/2013	20%	\$ 10,000	\$ -	0%	\$ 10,000
Clark Nuber	1	Independent Auditor; Audit Fee for FY 2012.	S. Hardin	3/4/2013	12/31/2013	4/15/2013	65%	\$ 48,500	\$ 7,797	16%	\$ 40,703
Colehour Coen	1	Staffing support	M. Brent	2/1/2013	6/17/2013	4/15/2013	0%	\$ 24,925	\$ 855	3%	\$ 24,070
Compact Digital Solutions	1	Conservation Website	M. Brent	1/9/2013	12/31/2013	4/15/2013	0%	\$ 20,000	\$ 1,030	5%	\$ 18,970
Davis Wright Tremaine	1	Construction attorney	J. Shimada	1/14/2013	12/31/2013	4/15/2013	N/A	\$ 25,000	\$ 3,895	16%	\$ 21,105
Eco's	1	Multifamily Toilet replacement	M. Brent	1/1/2013	12/31/2013	4/15/2013	0%	\$ 80,000	\$ -	0%	\$ 80,000
EMB	1	Lead Paint Assessment	J. Shimada	12/10/2012	N/A	4/15/2013	90%	\$ 20,000	\$ 9,779	49%	\$ 10,221
ERS	1	Fish Screen Facility and Valve House Support	J. Shimada	4/1/2013	N/A	4/15/2013	40%	\$ 23,361	\$ 7,173	31%	\$ 16,188
ERS	2	Valve house refurbishment	J. Shimada	2/7/2013	N/A	4/15/2013	100%	\$ 65,351	\$ 64,378	99%	\$ 773
ERS	3	Powerhouse roof electrical	J. Shimada	4/1/2013	N/A	4/16/2013	0%	\$ 25,801	\$ -	0%	\$ 25,801
Foster Pepper & Schefelman	1	General Legal Support	E. Kraft, S. Hardin	1/14/2013	12/31/2013	4/15/2013	N/A	\$ 25,000	\$ 6,126	25%	\$ 18,874
Foster Pepper & Schefelman	2	Legal services in the pursuit of a tax ruling related to Cascade's contract with Veolia.	E. Kraft, S. Hardin	12/12/2012	12/31/2013	4/15/2013	N/A	\$ 10,000	\$ 10,000	100%	\$ -
GeoEngineers Inc.	2	Dam Engineering/Hydrology/Geotech	J. Shimada	1/13/2012	N/A	4/15/2013	75%	\$ 150,000	\$ 128,329	86%	\$ 21,671
GeoEngineers Inc.	3	Dam Engineering/Hydrology/Geotech	J. Shimada	1/29/2013	N/A	4/15/2013	0%	\$ 125,000	\$ -	0%	\$ 125,000
Gordon Thomas Hoxeywell	1	State legislative outreach	E. Kraft	1/3/2013	12/31/2013	4/15/2013	25%	\$ 81,000	\$ 13,500	17%	\$ 67,500
Johansen Excavating, Inc.	1	Road Rock Work	J. Mickelson/C. Paulucci	3/1/2013	N/A	4/15/2013	100%	\$ 13,227	\$ 13,227	100%	\$ -
Langton Spleth	1	Community Relations & Outreach	E. Kraft	1/1/2013	12/31/2013	4/15/2013	25%	\$ 108,000	\$ 27,000	25%	\$ 81,000
Michael Purdy Associates, LLC	1	Roster Consulting	J. Shimada	2/1/2013	N/A	4/15/2013	15%	\$ 10,000	\$ 1,550	16%	\$ 8,450
Nature Vision, Inc.	1	Classroom presentations for schools in Cascade member areas	M. Brent	1/1/2013	12/31/2013	4/15/2013	0%	\$ 35,000	\$ 7,300	21%	\$ 27,700
Pacific Supply	1	Multifamily Toilet replacement	M. Brent	1/3/2013	12/31/2013	4/15/2013	0%	\$ 75,000	\$ -	0%	\$ 75,000
Pierce Conservation District	1	USGS Puyallup Watershed Model Study Support	M. Gagliardo	3/6/2013	9/30/2013	4/15/2013	80%	\$ 28,268	\$ 28,261	100%	\$ 7
Resource Trends	1	Branding and Communication	E. Kraft	3/27/2013	12/31/2013	4/16/2013	10%	\$ 17,500	\$ -	0%	\$ 17,500
RNR Consulting	1	Document Management	S. Hardin	12/13/2013	N/A	4/15/2013	85%	\$ 88,182	\$ 70,954	85%	\$ 17,228
Roger Van Gelder	1	Commercial Irrigation audits	M. Brent	1/28/2013	12/31/2013	4/15/2013	0%	\$ 25,000	\$ -	0%	\$ 25,000
Sarah Conrad Design	1	Graphic design	E. Kraft	1/1/2013	12/31/2013	4/15/2013	25%	\$ 25,000	\$ 11,945	48%	\$ 13,055
SBW Consulting	1	Valve, aerator, and showerhead installations	M. Brent	1/1/2013	12/31/2013	4/15/2013	0%	\$ 60,000	\$ 1,729	3%	\$ 58,271
SDW & Dashon	1	Bond Counsel	S. Hardin	1/1/2012	N/A	4/15/2013	N/A	\$ 75,000	\$ 60,512	81%	\$ 14,488
Seattle Tilt	1	Drip Irrigation	M. Brent	1/2/2013	12/31/2013	4/15/2013	0%	\$ 10,000	\$ -	0%	\$ 10,000
Seitel Systems, LLC	1	Information Technology Consulting	S. Hardin	1/1/2013	12/31/2013	4/15/2013	N/A	\$ 60,000	\$ 5,507	9%	\$ 54,493
Tetra Tech	1	Lake Tapps Aquatic Plant Management Support 2012	J. Shimada	3/15/2012	N/A	4/15/2013	50%	\$ 23,866	\$ 6,780	28%	\$ 17,086
URS	1	On-Call electrical	J. Shimada	4/3/2013	N/A	4/16/2013	0%	\$ 100,000	\$ -	0%	\$ 100,000
USGS	1	Puyallup River Watershed	M. Gagliardo	9/30/2012	9/30/2014	4/15/2013	40%	\$ 61,734	\$ 7,583	12%	\$ 54,151
USGS	8	Hydrologic data collection	M. Gagliardo	9/30/2012	12/31/2013	4/15/2013	25%	\$ 222,500	\$ 54,723	25%	\$ 167,778
Van Ness Feldman Gordon Derr	1	General counsel/water right/ real estate/franchises	C. Clarke	1/1/2013	12/31/2013	4/15/2013	25%	\$ 775,000	\$ 202,171	26%	\$ 572,829

Consultant Contract Status Summary

Attachment 4

Vcolla	1	White River-Lake Tappe Reservoir Project Operation and Maintenance Agreement \$1,440, 470 fixed, \$350K variable	J. Shimada	1/1/2013	12/31/2016	4/15/2013	NA	\$ 1,790,470	\$ 353,750	20%	\$ 1,436,720
Watershed LLC	1	Irrigation inspections, program administration	M. Brent	1/1/2013	12/31/2013	4/15/2013	0%	\$ 75,000	\$ 12,527	16%	\$ 62,673
Winterbauer & Diamond PLLC	1	HR legal support	S. Hardin	1/14/2013	12/31/2013	4/15/2013	N/A	\$ 20,000	\$ -	0%	\$ 20,000

Closed contracts

Vendor	Closed contract number	Contract title	Cascade Manager	Effective Date	End date	Status date	Percent work completed	Contract amount, including amendments	Amount Invoiced	Percent Invoiced	Contract balance
Foster Pepper & Scheffelman	2	Bond Counsel	S. Hardin	4/8/09	N/A	4/15/2013	N/A	\$ 75,000	\$ 75,000	100%	\$ -
GeoEngineers Inc.	1	Dam Engineering/Hydrology/Geotech	J. Shimada	1/6/2011	N/A	4/15/2013	100%	\$ 180,000	\$ 156,799	87%	\$ 23,201
HDR	16	Property Management	C. Paulucci	2/15/2012	12/31/2012	4/15/2013	95%	\$ 20,000	\$ 19,093	95%	\$ 907
Michael Purdy Associates, LLC	1	Contracting expertise and support to develop an RFP/RFQ for developing rosters for on-call engineering services	J. Shimada	6/19/2012	N/A	4/15/2013	98%	\$ 4,400	\$ 4,300	98%	\$ 100

**Payment Authorization
Warrants and Wire Transfers**

Attachment 5
3/27/2013

WHOLESALE WATER

WIRE Seattle Contract Payment 4/13

\$1,146,072.00
\$1,146,072.00

CONSULTANTS

22141 Mel Curtis \$5,800.00
22161 Gordon Thomas Honeywell LLP \$6,800.60
22162 AD Ventures Marketing, Inc. \$3,846.38
22163 Casne Engineering Inc. \$16,860.19
22164 Clark Nuber P.S. \$7,797.00
22165 Colehour and Cohen \$855.00
22166 Davis Wright Tremaine LLP \$2,960.00
22167 ERS Group LLC \$9,168.61
22168 HDR \$9,373.24
22169 Inslee, Best, Doezie & Ryder \$75.00
22170 Janice Thomas \$50.00
22171 Langton/Spieth \$9,000.00
22172 RNR Consulting \$4,010.00
22173 Sarah Conradt \$4,620.00
22174 Seitel Systems \$1,088.92
22175 US Geological Survey (USGS) \$3,791.50
22176 Van Ness Feldman, P.C. \$129,820.70
22182 A. Dashen & Associates \$23,501.70
22197 SDM Advisors, Inc. \$37,010.62
22213 Johansen Excavating, Inc. \$7,750.90
\$284,180.36

SALARY, BENEFITS AND EXPENSE REIMBURSEMENTS

Payroll (March) \$106,335.39
22138 HRA VEBA Trust \$3,234.00
22139 Vantagepoint 401 Plan \$28,044.80
22140 Vantagepoint 457 Plan \$12,532.35
22142 Joseph Mickelson \$384.38
22146 CompuPay Power 125 \$2,957.47
22147 Regence Blue Shield \$18,301.01
22149 UNUM Life Insurance \$1,513.30
22150 Washington Dental Service \$1,634.45
22177 Alyssa Jergens \$10.98
22178 Elaine Kraft \$239.54
22179 Joseph Mickelson \$1,222.50
22180 Michael Brent \$53.98
22181 Paula Anderson \$130.22
\$176,594.37

LAKE OPERATIONS

22194 Pacific Office Automation \$178.43
22195 Pierce County Budget & Finance \$1,409.45
22196 Puget Sound Energy \$4,296.31
22207 Chuck Romeo \$250.00
22208 City of Buckley \$94.53
City of Sumner \$303.07
22210 Comcast \$78.10
22211 D. M. Recycling Co. \$104.61
22212 FloHawks Plumbing & Septic \$2,107.56
22214 Murreys Disposal Co, Inc. \$288.71
22215 Praxair Distribution Inc. \$47.19
22216 Protection Technologies, Inc. \$796.78
22217 Republic Services \$804.13
22218 Veolia Water North America \$117,916.67
\$128,675.54

GENERAL

22144 Pacific Office Automation \$40.64
22145 Staples Advantage \$292.56
22148 Technology Learning Group, Inc. \$470.00
22183 Alliant Insurance \$6,250.00
22184 AT&T \$853.00
22185 Century Link \$1,093.38
22186 CIT \$822.94
22187 City of Bellevue \$6,171.89
22188 Covington Water District \$35.42
22189 Department of Enterprise Services \$250.00
22190 Issaquah Press, Inc. \$3,950.60
22191 JG 520 Building LLC \$14,606.95
22192 King County Treasury \$1,076.26
22193 Lakemont Business Services Inc. \$237.74
22198 Sound Publishing Inc. \$8,705.25
22199 spot-on print & design \$203.12
22200 Staples Advantage \$985.34
22201 U.S. BANK \$4,156.23
22202 Utilities Underground Location Center \$25.20
22203 Verizon Wireless \$180.04
22204 Washington State Department of Revenue \$381.30
22205 WCI \$1,191.75
22206 Wells Fargo Financial Leasing \$437.46
\$52,217.07

SPONSORSHIP

22219 Tukwila Parks & Recreation \$500.00
\$500.00

COMPUTERS AND EQUIPMENT

22151 Sage \$159.03
\$159.03

CONSERVATION

22143 Design and Graphics \$5,524.12
22152 Carollo Engineers \$1,052.63
22221 Compact Digital Solutions \$196.49
22154 Cottage Lake Gardens \$200.00
22222 Detail Marketing Group, Inc. \$769.64
22156 In Harmony \$250.00
22157 Nature Vision, Inc. \$4,800.00
22223 Niagara Conservation \$261.06
22159 SBW Consulting, Inc. \$138.00
22160 Watershed LLC \$4,740.00
22220 Emerald Heights \$750.00
\$18,681.94

Destroyed and voided checks:

22064, 22063, 22058, 22074, 22054, 22055, 22071

Total Warrants	\$661,008.31
Total Wires	\$1,146,072.00
Total warrants/wire transfers authorized for April 2013	\$1,807,080.31

Approved: _____ Date: _____
Scott Hardin, Director of Finance & Administration

Approved: _____ Date: _____
Fred Butler, Secretary/Treasurer

**Cascade Water Alliance
Monthly Treasurer's Report
March 2013**

	Operating Fund	Construction Fund	Bond Fund	RCFC Fund	Rate Stabilization Fund	US Bank Payroll Account	All Funds
Beginning Balances, March 1	\$ 13,315,388	\$ 32,541,229	\$ 25,385,386	\$ 5,672,486	\$ 2,979,755	\$ 21,314	\$ 79,915,558
Additions:							
Cash received	\$ 3,288,440	\$ 14,798	\$ 11,421	\$ 2,270	\$ 1,355	\$ -	\$ 3,318,283
Transfers from other Cascade funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000	\$ 110,000
Total additions	\$ 3,288,440	\$ 14,798	\$ 11,421	\$ 2,270	\$ 1,355	\$ 110,000	\$ 3,428,283
Subtractions:							
Bank fees, payroll, and bond payments	\$ 510	\$ 1,096	\$ 3,106,008	\$ 168	\$ 100	\$ 106,335	\$ 3,214,218
Warrants paid	\$ 546,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 546,719
Wire and other electronic payments	\$ 1,256,072	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,256,072
King Co. Investment Pool Impairment (realized)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
King Co. Investment Pool impairment (retained)	\$ (2,329)	\$ (4,671)	\$ (2,434)	\$ (2,987)	\$ (652)	\$ -	\$ (13,073)
Transfers to other Cascade funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total subtractions	\$ 1,800,972	\$ (3,575)	\$ 3,103,574	\$ (2,819)	\$ (551)	\$ 106,335	\$ 5,003,936
Ending Balances, March 31	\$ 14,802,855	\$ 32,559,603	\$ 22,293,233	\$ 5,677,574	\$ 2,981,661	\$ 24,979	\$ 78,339,904



MEMORANDUM

DATE: April 24, 2013
TO: John Marchione, Chair
Board of Directors
Chuck Clarke, Chief Executive Officer
FROM: Jon Shimada, Cascade Capital Projects Director
Joe Mickelson, Cascade Operations Manager
SUBJECT: Capital Projects & Operations Report

Lake Tapps - White River Reservoir Project

Lake Tapps refill for 2013 was successful as full pool (541.5') was achieved on April 5, 2013, well before our target of April 15, 2013. Lake Tapps lake level is currently at 542.28' as of April 11, 2013.

A boat survey for the 2013 Lake Tapps milfoil eradication program is scheduled for late May or early June. This information together with information gathered by AquaTechnex divers last year will determine what treatment is necessary for the upcoming season. It is anticipated by our consultant that a combination of treatments will be utilized including chemicals, diver hand pulling, and bottom barriers.

The Lake Tapps Emergency Action Plan (EAP) was finalized by GeoEngineers on March 26, 2013. The EAP was sent to the print shop to make approximately 60 copies for distribution to various agencies. It is anticipated that distribution of the EAP will occur during the first week of May. The Lake Tapps Instrumentation Report was finalized by GeoEngineers on April 9, 2013. This report will be submitted to the Dam Safety Office for their review and approval.

Veolia Water started work on January 1, 2012, and after a three and one-half month transition period, took over the White River – Lake Tapps Reservoir project operations and maintenance officially on April 16, 2012. Veolia continues to perform well and just accomplished their first year of lake-refill operations. We have agreed to a fixed-fee budget of around \$1.5 million with a variable budget of \$350,000. The Operations and Maintenance Manual was completed as of December 28, 2012. We have issued nine task orders for a total of \$66,000 in 2013 to date.

The Washington State Department of Labor and Industries visited the White River – Lake Tapps Reservoir project on October 23 and 24, 2012, to perform a safety inspection of the powerhouse, valve house, and pipeline intake structure. Reports were received from the safety consultant and the industrial hygiene consultant identifying serious and general hazards for each facility. All serious hazards were taken care of by the deadline dates. The inspection was continued on November 29 and 30, 2012, at the headworks facilities, tunnel intake building, forebay building, and 4-1 and 4-2 structures. Reports for these facilities were

received from the Labor and Industries safety consultant and the industrial hygiene consultant, again resulting in a list of serious and general hazards to comply with. The deadline for correcting the hazards was March 31, 2013. Due to some procurement issues that Veolia was having in hiring a subcontractor to perform the compliance tasks we requested and received a two-month extension for completion of this work.

Work at the valve house to refurbish the accumulators finally started on February 18, 2013, by ERS, after working through numerous contractual issues. This work was completed on March 29, 2013.

Work was also done at the fish screen facility to repair the secondary screen cleaner which had been out of commission. While working on this repair, it was discovered that a cylinder elsewhere in this facility was leaking. This was repaired immediately to prevent fluid leakage into the flow line. Additionally, a weir sensor was found to be broken. The sensor will be removed and bench tested. The sensor will then be repaired, if possible, and put back into service. However, if it cannot be repaired, a new Tempsonic sensor will be purchased to replace the existing one.

Plans and specifications were received from CASNE Engineering for work to be done at the valve house and U.S. Geological Survey river gage. This work is primarily electrical equipment upgrades and reprogramming to bring portions of the SCADA system back up to its original functionality. We are working on putting together contract documents to go out to bid with in mid-April. It is anticipated that we will award a contract in early May.

Cascade received a lead paint abatement estimate from FS&GS earlier this month. The total cost to remove the existing paint from walls, ceiling, duct work, etc., and to repaint these areas is approximately \$425,000. An additional estimate is being done by Long Painting. This estimate should be received towards the end of April. In addition, a new roofing system needs to be installed due to the many leaks inside of the building. It has been recommended to take care of this problem before the remediation occurs. Wetherholt and Associates has been hired to make roofing system recommendations, create bid documents, and provide support during construction.

There is also a project to remove electrical bus work from the roof in preparation for the new roofing system. ERS is anticipated to start this work at the end of April.

Bellevue Issaquah Pipeline

Comments on the memorandum of understanding (MOU) were received from the City of Bellevue. We are finalizing an MOU and annual task list with them. We are still working with the Sammamish Plateau Water and Sewer District to do the same.

WSDOT SR900 Road Widening Pipeline Installation

Pipeline installation started on April 20, 2009. Though construction is complete, there are several outstanding issues to close out our portion of the project. A number of change orders still need finalization with the contractor and Washington State Department of Transportation (WSDOT), construction quantities still need to be finalized, and final payments need to be calculated. Key WSDOT staff working on this project moved on to the Alaskan Way Viaduct project, thus closeout has become a low priority for them. We finally received a closing invoice from WSDOT on October 5, 2012, in the amount of approximately \$3,000 – three years after construction was completed. The final invoice showed the original project estimate to be approximately \$8.3 million, with the final cost being approximately \$5.9 million. A final acceptance letter was sent to WSDOT in November 2012 to close out the project. We are awaiting a response from WSDOT.



MEMORANDUM

DATE: April 24, 2013
TO: John Marchione, Chair
Board of Directors
Chuck Clarke, Chief Executive Officer
FROM: Michael Brent, Water Resources Manager
SUBJECT: Monthly Water Efficiency Program Report

Irrigation Efficiency

Cascade provided a sustainable landscape and irrigation system training session for Sound Transit facility managers. The training focused on how to properly program a controller and how to perform a basic irrigation evaluation. Cascade has authorized the first commercial irrigation system upgrade project for 2013 and has received proposals for two additional projects. Cascade has collected and reviewed standards for the design and installation of irrigation systems from member agencies and other cities around the country to lay the groundwork for developing a series of best management practices for new construction that will provide more sustainable landscapes that use less water, which will reduce Cascade's peak season demand and delay the development of additional water supply. The next step is to meet with member agency staff to discuss landscape and irrigation issues and continue drafting best management practices.



Irrigation Training with
Sound Transit

Savvy Gardener Classes

Approximately 60 Savvy Gardener classes have been scheduled throughout member service areas. Most classes will occur in the spring, with a few additional classes in the fall. Cascade has reached out to several businesses and community centers this year with a goal of making the program more community-focused. All classes have water efficiency themes built into the course material. Most of the classes to date have been well attended and have received excellent evaluations from attendees.

Water Education

Cascade has provided approximately 80 classroom presentations thus far in 2013. The teacher evaluations of the presentations have been excellent.

Fixture Direct Installation

Cascade has installed 50 pieces of hardware (aerators, showerheads and pre-rinse spray valves) at several schools, restaurants and other locations in March.

Leak Detection Mailer

The annual leak detection mailer was sent to all Cascade member single-family homes during national Fix-A-Leak-Week, March 18 – 24, 2013. Each year, Cascade receives several requests for the mailers from homeowner associations (HOAs), apartment complex managers, and others who don't have individual accounts with their water provider. Cascade plans to have a process in place before the end of March where those customers can order leak detection dye, and other water efficiency supplies, via an application form on Cascade's website.



MEMORANDUM

DATE: April 24, 2013
TO: John Marchione, Chair
Board of Directors
Chuck Clarke, Chief Executive Officer
FROM: Elaine Kraft, Intergovernmental and Communications Director
SUBJECT: Monthly Intergovernmental and Communications Report

Intergovernmental Activities

State Activities

Fire Protection Issues

Cascade led and facilitated a statewide effort to address issues raised by State Supreme Court decisions on who pays for fire hydrants and how. The bills (Senate Bill 5606 and House Bill 1512) passed respective houses and through the other house. As of this writing, Senate Bill 5606 has passed out of House Rules committee and is expected to be scheduled for a vote for final passage and adoption. For more information and the latest updates on this issue visit www.wafirepals.com or www.leg.wa.gov.

High Efficiency Toilet (HET) Legislation:

While support for this effort continues to be strong, there was some confusion this year in Olympia about the real impact of this legislation. This high efficiency toilet measure was added to an already complicated energy regulatory measure, eliminating any chance this session for an HET specific bill. Instead, Cascade opts to pursue a water efficiency measure for next session which is narrower in scope and created in a process similar to the fire hydrant legislation and the JMUSA, Joint Municipal Utilities Services Authority, bill. Cascade would lead this inclusive process in anticipation of next session, educating and doing outreach as needed.

Federal Activities

Cascade is working with three board members who will be traveling to Washington, D.C., in April to include Cascade-related information and visits to key Cascade stakeholders while there.

Community Relations

Lake Tapps Water Safety Issues

Save May 22, 2013, for a community meeting to inform, educate, and engage the community on water safety measures following drowning events in Lake Tapps.

Communications

Branding

Cascade staff, member staff, and Board members met with a water industry branding expert to help shape and verify the messages we will be using going forward. After much discussion it became clear that Cascade's "promise" or "brand" provided the clarity and precision necessary to maximize Cascade's value to the region and enhance its communications and relationship building efforts. The framework included an overview of Cascade as an extension of its seven members who are the source of water quality and reliable service in their respective communities. Key categories of Cascade's "promise" or "brand" included water reliability, long term planning, environmental stewardship, sound financial management, regional leadership and efficiency, nimbleness, and innovation. These will be reflected in Cascade's planning processes, the web, and all other communications materials.

Outreach to the Community

The method of outreach for all of these messages will be through Cascade's report to the community. This report will be included in all Reporter newspapers, the *Issaquah Press*, and the *Sammamish Review* in late May. The publication will focus on our water reliability through planning (members and infrastructure), environmental stewardship (wise water use), and sound financial management.

New Web Look

In addition to updated messaging, Cascade continues to update its graphic and web with a fresher look that will demonstrate to the public the extensive system it requires to deliver safe and reliable water. The new web page will also accommodate Cascade's need to post more news stories and get information out to the public more quickly.

Op-ed

The following op-ed, written by Chuck Clarke and Sharlene Leurig of Ceres, was printed in the *Bond Buyer* on April 5, 2013:

Time for Better Disclosure by Water Systems

Water seems to be as steady a business as they come—after all, it's an essential service we all need. But the operating environment of water providers is changing, and bondholders should be sure that the issuers whose debt they hold are changing their business models accordingly.

For those who are skeptical, a few things to note:

Water sales are down across the country. Since the 1970s per capita water use has dropped steadily, a decline that has grown even sharper in the last five years. The primary reason is the influx of high-efficiency indoor appliances into the market, a passive efficiency that, believe it or not, many water systems continue to ignore when projecting future demand. Combine this passive efficiency gain with the widespread adoption of inclining block rates designed to move customers down the demand curve, and it's clear that the age-old adage that water use increases with population is ready for retirement. This change in demand is a big concern to water providers whose costs are largely fixed but whose revenues are highly variable—it is not unusual for a water system to have 80% of its revenue dependent on volumetric use.

While the cost of water services is still cheap—the typical American pays less than \$1 for one ton of water—but customers' total water bills are rising faster than the cost of any other basic service. One of the reasons why: too few water systems fund depreciation over time, meaning that necessary replacements in failing infrastructure can only be implemented through major rate adjustments. In places where supply is scarce, rising costs reflect the economic reality that new water supplies—often brought on to satisfy peak demand—are orders of magnitude more expensive than existing water sources.

On top of this, climate change is wreaking havoc on water infrastructure—storm drains in cities like Seattle, Boston, Chicago and New York are more and more frequently finding themselves overwhelmed by what used to be 100-year rainfall events. Saltwater from rising seas is encroaching on freshwater supplies across the Eastern seaboard. In Florida the repercussions are difficult to imagine: Miami-Dade County is planning for seven inches of sea level rise by 2030. (By way of comparison, that is the same amount of rise South Florida experienced over the last 100 years).

Some water systems are tackling these challenges head on, getting smarter about planning for demand uncertainty, price responsiveness of their customers and risks to their water supplies. But for every system that is adapting to this new century's water challenges, there are several more that are doing business as usual—as if demands aren't changing, as if pricing doesn't matter, as though supply reliability can be judged by historic experience.

And frankly there is little incentive for them to do otherwise—water rates are the product of politics, decisions by mayors and city councils that have every incentive to keep rates low. In theory the market should be the one place where water systems really get asked the hard questions on the reliability of their supplies and the uncertainty of their demand projections. But few in the market—the credit rating agencies, the bond insurers, the buyers themselves—seem to really understand how the water sector is changing. Moody's has not even changed its credit assessment methodology for the water sector since 1999. A lot has changed since then.

For bondholders, that means price that might not reflect the risk. And for issuers who are adapting their business model to this century's water challenges, the failure of the market to recognize their superior risk profile means a higher cost of capital than they should be paying.

But even if bondholders and credit rating agencies wanted to assess the risks of revenue shortfalls, supply failure or climate-driven stranded assets, how could they? Few water systems discuss these factors in their financial documents. Without better disclosure, it is impossible to adequately assess these risks.

This market failure is why Ceres just released a disclosure framework for water enterprises, a framework that investors with \$40 billion in assets have asked the National Federation of Municipal Analysts to incorporate into their disclosure guidance. This framework represents achievable improvements in disclosure. The Cascade Water Alliance in Washington has already made use of the framework in its December 2012 bond issuance, consistent with its belief that

disclosure and transparency of its long-term sustainability strategies is essential for buyers needing to make risk-based decisions in purchasing bonds.

It is time to bring transparency to the water sector. But better disclosure isn't enough—market participants need to understand how the business is changing, and how to value the sustainable business models that are emerging. With better disclosure, we are taking the first step toward a market that reflects the financial integrity of managing for the long-term benefit of all of us who depend on public water systems.



MEMORANDUM

DATE: April 24, 2013
TO: John Marchione, Chair
Board of Directors
Chuck Clarke, Chief Executive Officer
FROM: Michael Gagliardo, Director of Planning
SUBJECT: Monthly Report

Lake Tapps (Acquisition, Water Rights, SEPA, Operations)

- Continued to process Trust Donation based on next steps identified in meeting with State Department of Ecology and Tribes
- Coordinated White River – Lake Tapps Reservoir project flow and water quality monitoring (by U.S. Geological Survey) with the Muckleshoot and Puyallup Tribes
- Implementing Cascade Lake Tapps Property Management Policy
 - Responded to requests for Cascade licenses
 - Implementing process to coordinate with permitting agencies when considering issuing licenses (Bonney Lake, Pierce County, and Washington State Department of Fish and Wildlife)
 - Continued resolution of property owner insurance issues
 - Distributed letters to property owners along Dike 11 and responded to inquiries
 - Submitted State Environmental Policy appeal, provided comment, and attended hearing on proposed Bonney Lake development and marina
- Participated in operations and procurement activities
- Participated in development of schedule to draw down lake
- Continued development of scope for Lake Tapps Habitat Conservation Plan
- Regular meeting and conference call with Tribes

U.S. Army Corps of Engineers (Corps) Mud Mountain Dam projects

- Fish passage project
 - Prepared and distributed letter to Colonel Estok (signed by Mayor Marchione and Fred Butler)
 - Continued attempts to contact new Corps project manager
- Developed invoice format for Cooperative Agreement
- Beginning preparation for possible barrier dam repair

2010 Transmission and Supply Plan (TSP) and Other Long Term and Regional Planning Activities

- Development of strategy for supplementing final TSP to reflect changes to wholesale contracts and membership
- Continued review and comment on Shoreline Management Programs
- Reviewed status reports and attended progress meeting on Puyallup watershed model project
- Reviewed final draft Amended and Restated Block Contract



MEETING MINUTES OF THE
BOARD OF DIRECTORS
BELLEVUE CITY HALL
MARCH 27, 2013

1. CALL TO ORDER

At 3:33 p.m. Mr. Marchione called the meeting to order.

2. ROLL CALL

Board Members or Alternate Board Members from the City of Bellevue (Davidson), the City of Issaquah (Butler), the City of Kirkland (Sweet), the City of Redmond (Marchione), the City of Tukwila (Haggerton), Sammamish Plateau Water & Sewer District (Brady), and Skyway Water and Sewer District (Ault) were present, constituting a quorum.

3. PUBLIC COMMENT

None.

4. EXECUTIVE SESSION

None.

5. APPROVAL OF AGENDA

Motion by Mr. Ault and second by Ms. Sweet to approve the meeting agenda. Motion carried unanimously (7-0).

6. CHIEF EXECUTIVE OFFICER'S REPORT

Chuck Clarke made the following report:

- The first of the Four Cities meetings was conducted with Auburn, Sumner, and Bonney Lake. Buckley was unable to attend the meeting.
- Staff is conducting an economic analysis to determine the value that Cascade has contributed to Lake Tapps and the economic return for this investment.
- Other agencies have inquired about Cascade's analytical process involved for negotiating the Seattle contract. The contract negotiations with Seattle have been a model for agencies across the country.
- The Water Supply Forum will be conducting a Rates Policy Development Workshop on April 8, 2013, that Cascade staff will attend. A handout was distributed regarding the event.
- Cascade is once again offering summer internships to college students residing in its service area in 2013. Interns will work on a variety of projects and may also be loaned out to Cascade Members that have two to three week summer projects in mind.

- Handouts were distributed (2) regarding a recent presentation Cascade made to the Center for Governmental Leadership. Topics included "Leading Transformational Change" and "What I Look for in Leaders."

Mr. Clarke explained that Cascade has initiated a review of the use by adjacent property owners of all the dikes at Lake Tapps. In particular, Cascade is determining whether or not existing structures can remain on Dike 11 without compromising the integrity of the dike and without impeding access needed by Cascade for operation, maintenance, and regulatory compliance. In addition, Cascade recently received notice of and commented on the proposed Park Place condominium complex in Bonney Lake, adjacent to Lake Tapps. The proposal is for a 92-unit condominium development which includes a private dock with 15 to 25 boat slips. Storm water from the 4.8 acre development would be piped to the lake. Cascade is researching whether or not a private marina of this type is permitted (and if so, what conditions might apply) under the 1954 deed and will update the Board on this matter in the future.

7. CONSENT ACTION ITEMS

- Regular Board Meeting Minutes of February 27, 2013.
- Motion to authorize the Chief Executive Officer to purchase a mower tractor and brush cutter for use at the White River – Lake Tapps Reservoir Project for a total cost not to exceed \$127,500.
- Motion to authorize the Chief Executive Officer to execute a contract with ERS Electrical to remove electrical bus work from the powerhouse roof at the White River – Lake Tapps Reservoir Project, for an amount not to exceed \$25,801.
- Motion to adopt Resolution No. 2013-03 to authorize modification of the Chief Executive Officer's contract.

Motion by Mr. Haggerton and second by Mr. Brady to approve Consent Action Items A-D. Motion carried unanimously (7-0).

8. OTHER ACTION ITEMS

None.

9. STAFF PRESENTATION

- Seattle Contract Negotiations

Mr. Clarke distributed a handout that was created in October 2012. The document included information about: 1) Existing Supplies; 2) Tacoma Settlement; 3) Seattle Extension through 2039; and 4) Seattle and Tacoma in Combination. In addition, Ed Cebron provided a PowerPoint presentation that highlighted the following information:

- Original Seattle Contract (2003)
- First Amendment to Seattle Contract: Supplemental Block (2009)
- Current Proposed Contract Second Amendment (2013)
- Reshapes the Blocks
- Seattle Block Supply Before Amendment
- Seattle Block Supply After Amendment
- Pricing (Rate) Structure Remains Unchanged
- Additional Payments for Extension of Term
- Reduced Penalties

- Constraints on (Wholesale) Resale of Water
- Sales to Cascade Members
- Sales to Seattle Contract Customers
- Sales to Other Utilities
- Summary of Impacts on Cascade
- Cumulative Rate Impacts
- Process for Decision and Execution

10. COMMITTEE REPORTS

- A. Executive Committee – No meetings held.
- B. Finance and Management Committee – Meeting held March 21, 2013. The February 21, 2013, recap was included in the Board packet.
- C. Public Affairs Committee – Meeting held March 12, 2013. The meeting recap was included in the Board packet.
- D. Resource Management Committee – Meeting held March 14, 2013. The meeting recap was included in the Board packet.

11. NEW BUSINESS

None.

12. NEXT REGULAR MEETING

The next regular Board meeting will be held March 27, 2013, at 3:30 p.m.

13. ADJOURN

The meeting was adjourned at 4:56 p.m.

APPROVED BY:

John Marchione, Chair

Jim Haggerton, Vice-Chair

AGENDA MEMORANDUM

SUBJECT

Motion to authorize the Chief Executive Officer to execute the 2013 Redmond Derby Days Sponsorship Agreement in the amount of \$2,500.

BACKGROUND

Pursuant to Resolution 2009-02, sponsorship proposals will be reviewed on the merits and how well it relates to Cascade's mission and by-laws. Cascade's Intergovernmental and Communications budget has allocated sufficient funds to cover this sponsorship. The resolution indicates that any sponsorship over \$1,000 would require the Board to authorize the Chief Executive Officer to enter into a sponsorship agreement. This proposal is for \$2,500 and it has the Chief Executive Officer and Public Affairs Committee support. It is within the budgeted amount for 2013.

FISCAL IMPACT

For its \$2,500 investment, Cascade will receive the following (\$4,800 advertising value):

- Sponsor name on www.RedmondDerbyDays.com
- Sponsor name in *Redmond Reporter* event program (eight page insert)
- Sponsor name on minimum of one *Redmond Reporter* ad
- Sponsor name recognition from main stage
- Sponsor booth on-site

This amount has been budgeted and will be coming out of the Intergovernmental and Communications budget.

OPTIONS

1. Authorize the Chief Executive Officer to execute the 2013 Redmond Derby Days Sponsorship Agreement in the amount of \$2,500.
2. Do not authorize and provide alternate direction to staff.

RECOMMENDED ACTION

Move to authorize the Chief Executive Officer to execute the 2013 Redmond Derby Days Sponsorship Agreement in the amount of \$2,500.

AGENDA MEMORANDUM

SUBJECT

Motion to authorize the Chief Executive Officer to execute the 2013 Issaquah Concerts on the Green Series Sponsorship Agreement in the amount of \$2,000.

BACKGROUND

Pursuant to Resolution 2009-02, sponsorship proposals will be reviewed on the merits and how well it relates to Cascade's mission and by-laws. Cascade's Intergovernmental and Communications budget has allocated sufficient funds to cover this sponsorship. The resolution indicates that any sponsorship over \$1,000 would require the Board to authorize the Chief Executive Officer to enter into a sponsorship agreement. This proposal is for \$2,000, and it has the Chief Executive Officer and Public Affairs Committee support. It is within the budgeted amount for 2013.

FISCAL IMPACT

For its \$2,000 investment, Cascade's sponsorship will be noted at these events that reach the public and key regional stakeholders and groups. This includes the following for its investment:

- Recognition at the sponsored concerts
- Featured on all concerts and on the Green and promotional materials
- Advertised in 10,000 Issaquah Parks and Recreation Summer Activity Programs
- Listings on the City of Issaquah website
- Concert posters distributed and visibly displayed at local businesses
- Advertised and televised on City of Issaquah's public channel (channel 21)
- *Issaquah Press* and *Issaquah Reporter* newspaper publicity
- On-stage recognition during concert night
- Opportunity to display banner
- Display space for Cascade promotional materials

The promotional aspects of this event far exceed the investment from Cascade of \$2,000. This amount has been budgeted and will be coming out of the Intergovernmental and communications budget.

OPTIONS

1. Authorize the Chief Executive Officer to execute the 2013 Issaquah Concerts on the Green Series Sponsorship Agreement in the amount of \$2,000.
2. Do not authorize and provide alternate direction to staff.

RECOMMENDED ACTION

Move to authorize the Chief Executive Officer to execute the 2013 Issaquah Concerts on the Green Series Sponsorship Agreement in the amount of \$2,000.

AGENDA MEMORANDUM

SUBJECT

Motion to authorize the Chief Executive Officer to negotiate and execute a contract for the SCADA controls upgrade project, in an amount not to exceed \$65,000.

BACKGROUND

When Cascade purchased the White River – Lake Tapps Reservoir Project from Puget Sound Energy, it included a SCADA system. The SCADA has not functioned properly since we took the system over. This project will repair and replace components of the system, as well as reprogram the software in the valve house and headworks river gage, to make them functional again. This will mean items, such as the valves in the valve house, can be controlled remotely and automatically instead of by manual methods, saving on labor costs.

A budget of \$65,000 is requested for this contract. Cascade is going out for bids in mid-April 2013, and is anticipating a bid opening around the end of April, with a desire to award a contract to the lowest responsive bidder in early May.

FISCAL IMPACT

The requested contract amount is \$65,000. This authorization can be covered within the Operations budget for 2013.

OPTIONS

1. Authorize the Chief Executive Officer to negotiate and execute a contract for the SCADA controls upgrade project, in an amount not to exceed \$65,000.
2. Do not authorize the Chief Executive Officer to negotiate and execute a contract for the SCADA controls upgrade project, in an amount not to exceed \$65,000, and provide alternative direction to staff.

RECOMMENDED ACTIONS

Move to authorize the Chief Executive Officer to negotiate and execute a contract for the SCADA controls upgrade project, in an amount not to exceed \$65,000.

AGENDA MEMORANDUM

SUBJECT

Motion to adopt Resolution No. 2013-04, authorizing the Cascade's Chief Executive Officer (CEO), in consultation with legal counsel, to finalize and execute an agreement with the City of Seattle in substantially the same form as the attached April 16, 2013, Final Draft 2nd Amended and Restated Declining Block Water Supply Agreement.

BACKGROUND

In 2003, by Resolution 2003-18 the Board approved the execution of an agreement for the sale of wholesale water between the City of Seattle ("Seattle") and Cascade, which was subsequently executed on December 15, 2003. This provided a block of 30.3 mgd (annual average) of supply and defined related terms and conditions. The Board then authorized Resolution 2008-16 in 2008 to amend that agreement by increasing the block of water available for purchase by 3- 5 mgd through December 2023.

Changing regional demands have altered both Cascades' projected needs and Seattle's projected supply availability. The proposed 2nd Amended and Restated Declining Block Water Supply Agreement addresses issues identified in the December 2012 Term Sheet. Highlights include establishment of a block supply of 33.3 mgd through 2039, and revises the ramp-down of supply after that date; provision for three lump-sum payments as compensation for supply restructuring and extension; alteration of financial terms and updates some technical and administrative features; clarification as to when sales of wholesale water to non-members by Cascade or Cascade members triggers a conversion from the Base Block rate to the Supplemental Block rate.

If approved and executed by both parties, then the 2nd Amended and Restated Declining Block Water Supply Agreement would replace and supersede the existing 1st Amended Agreement.

FISCAL IMPACT

This agreement materially reduces the fiscal burden for Cascade in four ways: 1) it avoids the planned supply and payment increase in 2018, a supply that Cascade now considers surplus to its needs; 2) it defers capital projects totaling hundreds of millions of dollars for roughly 15 years; 3) it provides for three lump-sum payments as compensation for supply restructuring and extension; and 4) it provides the mutual option for further potential extensions.

The potential rate impact of these changes is profound. Estimated increases for the next 15 years are reduced more than 50%, from nearly 8% per year to less than 4% per year. Further, Cascade would be accumulating cash reserves during this timeframe to mitigate construction costs when incurred, further improving the longer-term rate forecast. Additional extensions of supply, if warranted, could further improve the long-term rate profile.

The net savings for Cascade is on the order of \$50 million. For the period through 2040, savings total nearly \$200 million, then partially offset by higher costs when construction is finally required.

OPTIONS

1. Adopt Resolution No. 2013-04 authorizing Cascade's CEO, in consultation with legal counsel, to finalize and execute an agreement with the City of Seattle in substantially the same form as the attached April 16, 2013 Final Draft 2nd Amended and Restated Declining Block Water Supply Agreement.
2. Refer Resolution No. 2013-04 back to staff for additional work, to return to the Board for consideration as a future meeting.

RECOMMENDED ACTIONS

Adopt Resolution No. 2013-04 authorizing Cascade's CEO, in consultation with legal counsel, to finalize and execute an agreement with Seattle in substantially the same form as the attached April 16, 2013, Final Draft 2nd Amended and Restated Declining Block Water Supply Agreement.

ATTACHMENTS

1. Proposed Resolution Number 2013-04
2. Signed Letter of Intent by the City of Seattle and Cascade
3. April 16, 2013, Final Draft 2nd Amended and Restated Declining Block Water Supply Agreement, Red-Lined Version
4. April 16, 2013, Final Draft 2nd Amended and Restated Declining Block Water Supply Agreement



CASCADE WATER ALLIANCE
RESOLUTION NO. 2013-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CASCADE WATER ALLIANCE, A
WASHINGTON MUNICIPAL CORPORATION,
AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO FINALIZE AND EXECUTE A
CONTRACT WITH THE CITY OF SEATTLE TO EXTEND AND AMEND THE 2008 50-YEAR
DECLINING BLOCK WATER SUPPLY AGREEMENT

WHEREAS, the Cascade Water Alliance ("Cascade") is a Washington municipal corporation formed under authority of the Joint Municipal Utilities Authority Act (Chapter 39.106 RCW) to provide water supply to its Members; and

WHEREAS, as authorized by Resolution No 2003-18, Cascade entered into a *50-Year Declining Block Water Supply Agreement* with the City of Seattle ("Seattle"), dated December 15, 2003, and as authorized by Resolution No. 2008-16, entered into the *Amended and Restated 50-year Declining Block Water Supply Agreement between City of Seattle and Cascade Water Alliance*, dated December 17, 2008, ("2008 Block Agreement") to increase the block of water available for purchase through December 2023; and

WHEREAS, the Cascade Chief Executive Officer executed a non-binding Term Sheet with Seattle, outlining amended terms for the 2008 Block Agreement; and

WHEREAS, the Board now desires to execute a 2nd amended and restated agreement to incorporate those terms; and

WHEREAS, the Board has reviewed the FINAL DRAFT 2nd Amended and Restated Agreement Declining Block Water Supply Agreement Between The City of Seattle and The Cascade Water Alliance.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CASCADE WATER ALLIANCE, as follows:

Section 1. Authorization.

The Chief Executive Officer is authorized to finalize and execute a contract with the City of Seattle in substantially the form as the attached April 16, 2013 Final Draft 2nd Amended and Restated Declining Block Water Supply Agreement.

Section 2. Effect.

This Resolution shall be in full force and effect on the date of its adoption.

ADOPTED AND APPROVED by the Board of Directors of the Cascade Water Alliance at a regular meeting thereof, held on the 24th day of April 2013.

CASCADE WATER ALLIANCE

John Marchione, Chair

Attest – Chuck Clarke, Chief Executive Officer

Jim Haggerton, Vice Chair

Members

Yes _____
No _____

Fred Butler, Secretary/Treasurer

Demand Share

Yes _____ %
No _____ %

Include in CWAC?

☐ Yes
☒ No

**Letter of Intent Between
City of Seattle Public Utilities and Cascade Water Alliance**

The attached Term Sheet dated as of November 28, 2012 describes, for negotiation purposes only, certain terms and conditions being proposed by the City of Seattle Public Utilities ("SPU") and Cascade Water Alliance ("Cascade") regarding the proposed extension and amendment of the *Amended and Restated 50-year Declining Block Water Supply Agreement between City of Seattle and Cascade Water Alliance, dated December 17, 2008* ("Current Agreement"). SPU and Cascade are collectively referred to as the "Parties."

The Term Sheet has been prepared for negotiation purposes only. If the Parties decide to proceed on the basis of the terms and conditions set forth in this Term Sheet, the Parties will draft and negotiate a final extension and amendment to the Current Agreement ("Final Agreement") and submit the Final Agreement for approval by their respective governing bodies to set forth the binding terms and obligations mutually agreed upon by the Parties. The Parties will negotiate and complete, with all due diligence, the following events by the target dates below:

<u>Anticipated Completion Date</u>	<u>Event</u>
11/28/2012	Execution of Letter of Intent (LOI)/Term Sheet by the Parties
1/21/2012	Final Draft of mutually agreed Final Agreement to present for legislative approval
4/21/2012	Approval of Final Agreement by Respective Governing Bodies

The Term Sheet is not, and is not intended to be, a binding agreement between SPU and Cascade with respect to the subject matter hereof. No oral or written statement or other communications of any kind or other past or future actions of an individual or entity shall be construed to cause this Term Sheet to become a binding contract.

CASCADE WATER ALLIANCE

SEATTLE PUBLIC UTILITIES

 11/28/12
 Chuck Clarke Date
 Chief Executive Officer

 11/28/12
 Ray Hoffman Date
 Director

Term Sheet

**Proposed Extension and Amendment of the 50-year Declining Block Water Supply
Agreement between City of Seattle and Cascade Water Alliance dated December 17, 2008**

November 20, 2012

1. Supply

A. Revised Base Block Schedule

1. 30.3 mgd through 2023
2. 29.3 mgd through 2029
3. 26.8 mgd through 2034
4. 24.3 mgd through 2045
5. Declines 1 mgd per year thereafter until reaching 5.3 mgd beginning in 2064

B. Revised Supplemental Block Schedule

1. 3.0 mgd through 2023
2. 4.0 mgd through 2029
3. 6.5 mgd through 2034
4. 9.0 mgd through 2039
5. 7.0 mgd in 2040
6. 5.0 mgd in 2041
7. 3.0 mgd in 2042
8. 2.0 mgd in 2043
9. 1.0 mgd in 2044
10. 0.0 mgd beginning in 2045

The total Revised Cascade Block will remain defined as the sum of these Revised Base and Supplemental Blocks.

2. Adjustments to Block Schedules

The Agreement will be clarified to provide that in the event 1) SPU implements water shortage plans or water use restrictions or 2) there is a de-rating of Firm Yield, which results in a reduction of the Revised Cascade Block, the Revised Base Block and Supplemental Block amounts will each be proportionally reduced.

3. Peak Factors

Existing Peak Season and Peak Month Factors will remain unchanged and apply to the Revised Cascade Block.

4. Maximum sales/delivery obligations of SPU

Existing multipliers for total deliveries limits will remain unchanged and will apply to the Revised Cascade Block.

5. Penalties for Exceeding Peak Limitations

Charges will be imposed on water in excess of the average annual and peak supply limitations through the application of the multipliers to the then current Full and Partial Requirements Customer Commodity Charge.

For the first instance in any five-year period, the following multipliers will apply:

Multipliers for Charges for Water in Excess of Annual Average Daily Demand, Peak Season and Peak Month Block Limitations - First Instance in 5-Year Period				
Category	0 to 1 mgd	>1 to 2 mgd	>2 to 3 mgd	>3 mgd
ADD	1.0	1.0	1.1	1.2
Month	1.0	1.0	9.1	16.7
Season	1.0	1.0	3.1	4.7

The multipliers for the first 2 mgd reflect a buffer before penalty charges begin.. Cascade agrees not to plan or rely on this buffer as available firm supply.

For any additional instances of water in excess of the average annual and peak supply limitations in any five-year period, the following multipliers will apply.

Multipliers for Charges for Water in Excess of Annual Average Daily Demand, Peak Season and Peak Month Block Limitations - Additional Instances in 5-Year Period				
Category	0 to 1 mgd	>1 to 2 mgd	>2 to 3 mgd	>3 mgd
ADD	1.0	1.1	1.1	1.2
Month	1.5	9.1	9.1	16.7
Season	1.5	3.1	3.1	4.7

6. Compensation

A. Base and Supplemental Block Pricing

Revised Base Block Pricing and Revised Supplemental Block Pricing will remain the same. The Agreement will be clarified to confirm explicitly that in the event the Firm Yield is modified downward in the future (with a corresponding proportional decrease in the Revised Cascade Block), the Revised Base Block pricing formula will use the modified Firm Yield, i.e. resulting in Cascade continuing to pay the same percentage of costs of the system as it pays under the current formula using the existing Firm Yield of 171 MGD. In the event the Firm Yield is modified upward (in which case there will be no change in the Revised Cascade Block), the Revised Base Block pricing formula will continue to use the existing Firm Yield of 171 MGD, again resulting in Cascade continuing to pay the same percentage of costs of the system.

B. Transition Payments

Cascade will make three transition payments on the following schedule:

1. Payment of \$5 million due on or before June 30, 2013
2. Payment of \$12 million due on or before December 31, 2018
3. Payment of \$5 million due on or before December 31, 2024

7. Term

The term of the Agreement will be extended from 2053 through 2063. Cascade will continue to have a right to purchase 5.3 mgd at the new expiration of the Agreement.

Beginning January 2020, and again each January at 5-year intervals, either Cascade or Seattle may request consideration of further extension of the supply commitment. Neither party is obligated to agree to such discussion or any related extension or revision; and any extension would be subject only to terms negotiated at that time.

8. Resale Restrictions

Proposed revision to Section 3.6

- A. All water supplied to Cascade under this Agreement is for the purpose of re-sale to Cascade Members to serve Cascade Members' retail customers. Neither Cascade nor Cascade Members may sell or use the water supplied under this Agreement, or water from their respective independent supplies offset by water supplied under this Agreement, for any other purpose without SPU's prior written consent, except that Cascade or Cascade Members may sell water for temporary emergency purposes under those specific intertie agreements identified in Exhibit I. SPU's consent may be subject to conditions it deems reasonably necessary to protect the Seattle Regional Water Supply System.
- B. In the event Seattle consents and Cascade provides water supplied under this Agreement or water from their respective independent supplies offset by water supplied under this Agreement, to supply a then current SPU Wholesale Customer, the full Revised Cascade Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the resale.
- C. All water supplied under this Agreement must be used within the designated place of use of Seattle's water certificates, permits, or claims.

Proposed revision to Section 3.7

- A. During the term of this Agreement, if an SPU Wholesale Customer existing at the time this Agreement begins and identified in Exhibit ## becomes a Cascade Member, Seattle will release that customer from its obligations under its existing water supply contract with Seattle in accordance with the provisions of such contract and the Revised Supplemental Block will be increased by the allocated amount of water identified in Exhibit ##, with a corresponding proportional increase to the adjusted Revised Cascade Block under Sections 3.3 and 3.12. If that entity takes delivery of all or a portion of its water through a Sub-regional Facility, Cascade and Seattle shall

enter into a Management Agreement for the costs of such facility prior to increasing the Supplemental Block.

- B. [Note, Exhibit ## will need to be created and will list current SPU Wholesale Customers along with corresponding allocated amounts of water determined by SPU as the maximum projected ADD for each Wholesale Customer for the remaining term of the Agreement, plus ten percent.]

9. Intertie/Interconnection Requirements
Proposed new Section 4.5

- A. Transmission Wheeling. Seattle, at its discretion, may make excess transmission capacity available for a fee and under conditions it deems reasonable, for purposes of wheeling other water supply between points within the Seattle Regional Water Supply System to Cascade or others.
- B. Interconnection/Intertie.
- a. In the event Cascade requests an interconnection to the Seattle Regional Water Supply System to take delivery of any other water supplied to Cascade under separate water supply contracts or arrangements, Cascade shall, at its expense, be responsible for the design, engineering, permitting and construction of any and all infrastructure necessary to interconnect to the Seattle system. Any interconnection to the Seattle system or intertie between the Seattle system and another water supply system will be subject to Seattle's review, approval and such conditions and requirements as Seattle and the other water supply system owner may determine to be reasonably necessary in order to provide and maintain the safe and efficient design, function, capacity, water quality, integrity and reliability of their respective water supply systems.
- b. Seattle may request that the interconnection allow for joint use for Seattle's purposes subject to mutually agreed upon terms.

10. Resolution of Tukwila Station 14 water break incident

The parties agree to include various agreed upon revisions to clarify ownership and cost recovery issues relating to the points of delivery and subregional infrastructure and to address notice and claim resolution coordination. The parties agree that if they fail to reach agreement on these issues within the agreed upon schedule for completing the extended and amended supply agreement, they agree to negotiate the resolution of these issues independent of the supply amendment.

11. Relation to the Term Sheet

The Parties agree that the Final Agreement, as approved by the Parties' respective legislative bodies, will supersede this Term Sheet and will control in any conflict.



FINANCE & MANAGEMENT COMMITTEE

Fred Butler, Chair, Councilmember, City of Issaquah
Jim Haggerton, Mayor, City of Tukwila
Hank Margeson, Councilmember, City of Redmond

**Meeting Recap
Thursday, March 21, 2013
1:30 PM – 3:00 PM
Cascade Office**

Call to Order

1. Chair Comments

2. Executive Session

3. Items Recommended For Action At March 27, 2013, Board Meeting (None)

4. Discussion Items

A. Seattle Contract Update The Seattle extension agreement is essentially complete. The financial terms have remained as represented in the term sheet with no changes. Remaining concerns are related to resale of water to non-Cascade members, and staff believes that the draft language gives Seattle protection against Cascade using the lower cost wholesale water we receive, to Seattle's detriment, while retaining reasonable flexibility for Cascade to sell water to third parties. A term sheet and a line-through version of the agreement were provided to the Committee. Items still outstanding include a map and details on connection points. The new agreement will lock in Cascade's payments in a lower rate structure than present and will extend water supply from Seattle. Committee members expressed satisfaction with the new agreement as long as it includes protections in the event that water demand increases.

B. Rate and Financial Planning Strategies Staff will continue to outline rate and financial planning policy strategies and choices with the Committee in advance of the Board retreat on June 1, 2013. The options presented to the Committee and Board will include strategies designed to meet a variety of potential rate objectives, and will address, among other things, capital funding options, use of reserve funds, bond ratings, generational equity, and risk management. There was some discussion of the trade-offs that exist between preparing a simple, but fixed, multi-year rate schedule versus a more complicated, but more flexible and accurate, annual rate schedule.

C. Board Retreat Planning The Cascade Board will hold a retreat on Saturday, June 1, 2013, at the Tukwila Community Center. At the retreat, there will be a discussion about the Board's preferences for linking priorities to the biennial budget process. Cascade does true zero-based budgeting that starts with the Board's strategic priorities. In the past, the Board has been given detailed budget information. In the future, budget discussions with the Board may be at a higher-level and more centered on Board priorities that are identified earlier in the process. The retreat will also include information about national and regional water demand and rate trends.

5. Information Items

A. On April 8, the **Water Supply Forum** will host a rate policy development workshop at Bellevue City Hall from 8:30 a.m. – 4:30 p.m., as part of its initiative on "Rate Policy Development in Changing

Times.” The workshop will be a gathering of elected officials, managers, and technical staff and will offer new knowledge and skills to strike a balance between competing policies while dealing with financing challenges. For more information, visit <http://www.watersupplyforum.org/> .

- B.** Cascade is once again offering **summer internships** to college students residing in its service area in 2013. Eligible interns should be a current or graduating college student or should be entering a college or other post-high school program in the fall. The best candidates are interested in local government, administration, water, biology, related sciences, or community outreach. Interns **will** work on a variety of projects, including administrative office work and field work at Lake Tapps. Individual work programs will be tailored to the student’s interests and Cascade’s needs. Interns may also be loaned out to Cascade Members that have two to three week summer projects in mind. The internship will pay approximately \$12 per hour. Interested candidates should send a letter of interest, including area of study and summer availability, to Scott Hardin (shardin@cascadewater.org) at Cascade by April 15, 2013.

6. Next Meeting Date And Location

Thursday, April 18, 2013, 1:30 – 3:00 p.m., at the Cascade Office



PUBLIC AFFAIRS COMMITTEE

Penny Sweet, Chair, Councilmember, City of Kirkland
Lloyd Warren, Commissioner, Sammamish Plateau Water & Sewer District
Bob Brady, Commissioner, Sammamish Plateau Water & Sewer District
Stacy Goodman, Councilmember, City of Issaquah
Doreen Marchione, Councilmember, City of Kirkland
Kevin Wallace, Councilmember, City Bellevue

Meeting Recap
Tuesday, April 9, 2013
8:00 AM – 9:30 AM
Cascade Office

Call to Order

1. Chair Comments

2. Executive Session

3. Items Recommended For Action at April 24, 2013, Board Meeting

A. Sponsorship Proposals: The committee reviewed and approved three sponsorship proposals for adoption to the full Board. These events are all part of the 2013 outreach plan. Cascade will receive advertising value for sponsorship as well as a booth at each of the following:

- i. 2013 Issaquah Concert Series
- ii. 2013 Sammamish Days
- iii. 2013 Redmond Derby Days

Also considered and approved, although not needing board authorization as the sponsorship cost was under \$1,000, was the 2013 Tukwila Backyard Wildlife Festival at which Cascade will have a booth.

4. Discussion Items

A. Branding, Positioning and More National water related branding and promotional expert John Ruetten visited Cascade to discuss with staff and board members the next steps in the positioning of Cascade. His work was reviewed and included key areas of Cascade's "promise" or "brand." These key areas included water reliability, long term planning, environmental stewardship, sound financial management, regional leadership and efficiency, nimbleness, and innovation. These categories provide the clarity and precision necessary to maximize Cascade's value to the region and enhance its communications and relationship building efforts. The framework will be reflected in Cascade's planning processes, the web, and all communications materials.

B. Lake Tapps Community water safety efforts To address the drownings in Lake Tapps over the last year, all involved communities have come together to promote water safety. A public meeting, hosted by Cascade, will be held May 22, 2013, at North Tapps Middle School. The meeting will inform the public of the efforts being done to improve safety and what actions swimmers and their families should take to be safe in the lake. A special section in the *Bonney Lake Courier Herald* will also be produced. This will include the "who to call" list for Lake Tapps area services.

5. Information Items

- A. Update on State Legislative Issues** Both fire suppression bills (House Bill 1512 and Senate Bill 5606) have passed their house of origin and are awaiting floor action in the other house.
- B. Update on Communications and Outreach Plan, Including "Value of Water" Report** Members reviewed an update of the adopted plan (attached) and also viewed the first drafts of the new Cascade publication that will be distributed via Reporter newspapers in May. This publication reflects the new branded categories.
- C. Seattle and Tacoma Contractual Updates** Staff updated committee members on the latest in the negotiations with Seattle as well as the Tacoma-Cascade discussions with the Four Cities on their interest in purchasing water.
- D. Earth Day Reporter Publications** Cascade's outreach includes a special supplement on Earth Day through all Reporter outlets focusing on wise water use. Members saw the draft of this publication which will appear April 22, 2013.
- E. Savvy Gardener Update** This month's series of classes established to promote water efficiency were reviewed and a list of classes and topics were discussed. These classes are targeted at helping to manage peak supply.
- F. Conservation Education Outreach Program** Members received an update on what outreach is being done in classroom education programs in member communities, as well as previewed the "pledge" school children will receive to take home to share with their families about what they can do to use water wisely. These materials are branded with logos of Cascade and the respective member in which the school resides.

6. Next Meeting Date And Location

Tuesday May 14, 2013, 8:00-9:30 a.m., at the Cascade Office.

2013 Outreach and Communications Calendar Q1 Update April 9, 2013

Month	Dates	Activity	Done (green) In progress (yellow) Changed (red)
2012 December	13	Final full page ad of 2012 in all papers	X
	18 - 20	Focus groups conducted	X
2013 January	4	Inaugural Member Alert sent (new in 2013)	X
	8	East King County Chambers Legislative Coalition breakfast (sponsor/attend)	X
	8	Public Affairs Committee meets: 2013 communications plan to committee for review	X
	14	Legislative Session begins	X
	24	Water Supply Forum meeting and newsletter	X

Month	Dates	Activity	Done (green) In progress (yellow) Changed (red)
		Finalize focus group report	X
		Begin redesign suite of all communications materials (updates)	X
		Begin social media plan research and development	In progress
February	1	February Member Alert sent	X
	12	Public Affairs Committee meets	X
	14	Leadership Eastside State of the Eastside (Cascade sponsors and attendees) Deadline for Feb local ads (see February 20 - 22)	X
	20 - 22	Full page ad – all papers	X
	26	Deadline for Fix a Leak ad (runs March 8 and March 22)	
	27	Annual Meeting of the Board	X
	28	First quarterly eNewsletter	X
	TBD	Lake Tapps refill (press release and post card to residents)	X
	On-going	Legislative session continues	X
March	1	March Member Alert sent	X
	8	Fix a Leak ad in local papers (March 22, 2013 for Tukwila)	X
	11 – 15	National Fix a Leak Week	X
	12	Public Affairs Committee meets	X
	21	Deadline for Earth Day (two pages front and back) – all papers	X
	On-going	Legislative session continues	X
April	March 29	April Member Alert sent	X
	9	Public Affairs Committee meets	X
	22	Earth Day tab published in all papers	Out April 22
	25	Water Supply Forum meeting and newsletter	
	26	Deadline for May 3 and May 17 (advertisements in all papers)	



**Meeting Recap
Joint Meeting of the
Finance and Management Committee and
Resource Management Committee
Thursday, April 18, 2013 -- 1:30 p.m.
Cascade Office**

RESOURCE MANAGEMENT COMMITTEE

Don Davidson, Chair
City of Bellevue
Jon Ault
Skyway Water & Sewer District
Stacy Goodman
City of Issaquah
Lloyd Warren
Sammamish Plateau W& S District

FINANCE AND MANAGEMENT COMMITTEE

Fred Butler, Chair
City of Issaquah
Jim Haggerton
City of Tukwila
Hank Margeson
City of Redmond

Call to Order

1. Chair Comments

2. Executive Session None

3. Items Recommended For Action at April 24, 2013, Board Meeting

A. Seattle Block Contract Revisions

Cascade has been negotiating revisions to the Seattle block contract since executing a term sheet in November 2012. The final draft is ready for review by the Committee. The discussion will focus on the major changes from the current block contract.

The following material was available for the Committee discussion:

- December 2012, signed term sheet for Seattle Public Utilities (SPU) - Cascade amendments
- Current (but essentially final) draft of SPU - Cascade Amended and Restated Agreement (redlines show last edits of 4/3/13)
- Comparison chart showing each term of the final draft to the December 2012, term sheet for SPU - Cascade amendments

The next steps in finalizing the Amended and Restated Block Contract are:

- SPU and Cascade staff (with HDR) will finalize Exhibit VIII – Map
- SPU counsel will send final Amended and Restated Block Contract (with edits discussed by counsels on April 8, 2013, regarding changes to exhibits by management agreement).
- SPU counsel will send email confirming intent of Section 3.6.C. that “all water supplied under this agreement” does not include independent supplies of Cascade or Cascade members (as discussed by counsels on April 3, 2013).

- Request that Cascade Board authorize the Chief Executive Officer to execute the Amended and Restated Block Contract in substantially the form presented to the Board at the April 24, 2013 meeting.
- Presentation of the Amended and Restated Block Contract to Seattle City Council committee on May 7, 2013.
- Consideration of Amended and Restated Block Contract by the Seattle City Council on May 14, 2013.

Staff will review the proposed Amended and Restated Block Contract and discuss any outstanding issues yet to be resolved with SPU and answer questions. The Committee will be asked to consider the request that the Cascade Board authorize Chief Executive Officer to execute the Amended and Restated Block Contract in substantially the form presented to the Board at the April 24, 2012, Board meeting.

Recap and Direction: *The joint Committee was briefed on the status of final negotiations with Seattle on the Amended and Restated Block Contract. Two items remain open: Section 3.6 (and Exhibit VIII) related to conditions under which Cascade may offer wholesale contracts to non-members outside the Seattle service area; and Exhibit I (list of existing intertie and other related agreements). A call was scheduled following the joint Committee meeting to discuss these items. If resolution is reached, the request that the Cascade Board authorize the Chief Executive Officer to execute the Amended and Restated Block Contract will be on the April 24, 2013, Board meeting agenda.*

The consensus of the Committee was to recommend that the Board authorize the Chief Executive Officer to execute the Amended and Restated Block Contract, in substantially the form presented at the April 24, 2013, Board meeting, provided acceptable resolution of the remaining outstanding issues.

B. SCADA Controls Upgrade Project

The SCADA System at the White River - Lake Tapps Reservoir project has not functioned properly since Cascade took over operation from Puget Sound Energy. The system requires upgrades so that operation of the valve house valves and headgates can be monitored and operated remotely and automatically, rather than manually. This will save labor costs.

Cascade is preparing to solicit bids for this work in mid-April 2013, and anticipates being able to award a contract (with a maximum compensation amount not to exceed \$65,000) in early May 2013.

A draft Agenda Memorandum (to be included in the April 24, 2013, Board meeting packet) authorizing the Chief Executive Officer to execute a contract for the SCADA system upgrade project was available for the discussion.

Recap and Direction: *Additional background on the SCADA system upgrade project was provided to the joint Committee. Specifications for the project have been developed and will be sent to three qualified firms for bids.*

The consensus of the Committee was to recommend that the Board authorize the Chief Executive Officer to execute a contract for the SCADA system upgrade project.

C. 2012 Annual Report/Report to the Community

The Public Affairs Committee has prepared a report from Cascade to be inserted in all reporter publications throughout the Cascade service area and in the *Issaquah Press* and *Sammamish Review* as part of Cascade's outreach and communication and advertising program (these publications reach almost 200,000 residences). The report highlights all the key messages Cascade and its members have been developing following our questionnaires to members and focus groups to do our best to reach the public and key decision makers with information they need to know about their water systems and the alliance and members that bring it to them.

A draft Agenda Memorandum authorizing printing of the report (to be included in the April 24, 2013 Board meeting packet) was available for the discussion. The total not-to-exceed cost for printing is \$35,000. Insertion in the reporters and other papers is included as part of Cascade's annual advertising budget.

Recap and Direction: *A draft version of the 2012 Annual Report/Report to the Community was passed around to the joint Committee. Cascade is determining if the printing can be done by Sound Publishing (at an estimated cost of approximately \$17,000). If this is not possible, the estimated printing cost at an outside printer would be the \$35,000 requested.*

The consensus of the Committee was to recommend that the Board authorize printing to the 2012 Annual Report/Report to the Community for an amount not to exceed \$35,000.

4. Discussion Items

A. Wholesale Water Sales to the Four Cities

Cascade recently met with the Four Cities (Auburn, Bonney Lake, Buckley and Sumner) and Tacoma to discuss wholesale water sales under the terms of the recently Amended and Restated Agreement for Sale of Wholesale Water. Staff will brief the Committees on the status of the discussions.

Recap and Direction: *An initial meeting with Cascade. Tacoma and Auburn, Bonney Lake and Sumner indicated an interest from Auburn and Bonney Lake to purchase some amount of Cascade's Tacoma water (Sumner is pursuing development of additional ground water sources). Since that initial meeting, the Bonney Lake Public Works Committee has approved an additional purchase, which will next go to the City Council for approval. Auburn has expressed interest in purchase of approximately 2 – 4 MGD. A meeting has been scheduled with Buckley to determine interest. Potential sales could result in payments of approximately \$6 to \$8 million to Cascade.*

B. Procurement and Contracting Overview

Cascade is involved in a large number of activities requiring procurement and contracting. To manage these activities, a master procurement and contracting matrix is maintained and reviewed at weekly meetings of all relevant Cascade staff (with assistance from VanNess Feldman GordonDerr as necessary). A recent matrix is attached to provide an overview of the extent and types of procurement and contracting activities.

C. Other Items

The first quarter Budget-to-Actual Expenditure Report was distributed.

5. Next Scheduled Meeting Date and Location

Resource Management Committee
Thursday, May 9, 2013
Cascade Office

Finance and Management Committee
Thursday, May 16, 2013
Cascade Office

**CASCADE WATER ALLIANCE
PROFESSIONAL AND OTHER SERVICES NEEDS IN 2013**

No.	Work Item Description & Type of Person to Perform Work	Type of Work	Procurement Method	Selected Contractor/ Consultant	Procurement Status					
					CEO Form Completed?	Estimate and SOW Completed?	Contractor Selected?	Using Cascade contract? (Or, Other)	Contract Routine Form Completed?	Board agenda and resolution completed?
1	Work on gage station: instrument contractor/ electrician	Public Work	CEO Procedures							
2	Recommissioning of automatic valve operation of system	OM	CEO Procedures							
3 47	Fencing for Headworks facilities	Public Work	Small Works Roster							
4	Security services: for the planning and design of security scope and master plan	Non-A&E Service	Cascade Roster							
5	Security implementation: upgrades and additions at Headworks, Forebay and other areas of the Project for security and operating	Public Work	Need Estimate							
6	Headworks abatement work	Non-A&E Service	Need Estimate	EMB Consulting						
7	Headworks demolition: demolition of various									
8	Lead paint abatement for Powerhouse interior*	Public Work	Need Estimate							

No.	Work Item Description & Type of Person to Perform Work	Type of Work	Procurement Method	Selected Contractor/ Consultant	Procurement Status						
					CEO Form Completed?	Estimate and SOW Completed?	Contractor Selected?	Using Cascade contract? (Or, Other)	Contract Routing Form Completed?	Board agenda and resolution completed?	
9	Powerhouse interior painting*										
10	Engineer/ planning of roof replacement: structural engineer	Consultant	CEO Procedures	Wetherholt and Associates		✓	✓	✓			
11	Asbestos abatement on roof *	Public Work	Need Estimate								
12	Roof replacement *	Public Work	Need Estimate								
13	Relief valve #3: structural engineer	A&E Service	Need Estimate								
14	Issaquah metering design: engineer to design, advise on type of meters and type of remote equipment. Scope must include wetland knowledge	A&E Service	Cascade Roster								
15	Issaquah metering Construction	Public Work	Need Estimate								
16	Condition assessment: to design and advise scope/ plan for condition assessment for the Project	A&E Service	Cascade Roster								
17	Condition assessment implementation: execution of condition assessment scope/plan	A&E Service	Cascade Roster								

No.	Work Item Description & Type of Person to Perform Work	Type of Work	Procurement Method	Selected Contractor/ Consultant	Procurement Status					
					CEO Form Completed?	Estimate and SOW Completed?	Contractor Selected?	Using Cascade contract? (Or Other)	Contract Routing Form Completed?	Board agenda and resolution completed?
18	SCADA architecture upgrade for Com Room/ HMI: electrician/ SCADA programmer	Public Work	Public Work							
19	Vision/ long-term planning of SCADA system	A&E Service	Cascade Roster							
20	Leak on Pipe #1	OM	Need Estimate							
21	Tempusonic purchase	Equipment- Over \$5,000	CEO Procedures							
22	Larry Bailey Signage List	OM								
23	Document management: selection of hardware, software vendor	Equipment- Over \$5,000	RFQ/P							
24	ToughBook Laptop for BioSonic Echosounder	Equipment	CEO Procedures							

FINAL VERSION 04/16/13

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2ND AMENDED AND RESTATED

~~50-YEAR~~ DECLINING BLOCK

WATER SUPPLY AGREEMENT BETWEEN

THE CITY OF SEATTLE

AND

THE CASCADE WATER ALLIANCE

~~December 17, 2008~~

, 2013

2nd Amended and Restated
~~50-Year~~ Declining Block Water Supply Agreement

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2nd AMENDED AND RESTATED
50-YEAR-DECLINING BLOCK
WATER SUPPLY AGREEMENT BETWEEN
THE CITY OF SEATTLE
AND
THE CASCADE WATER ALLIANCE

This 2nd amendment to and restatement of the 50-Year Declining Block Water Supply Agreement between the City of Seattle, a municipal corporation ("Seattle"), and the Cascade Water Alliance, a non-profit organization of municipalities joint municipal utility services authority formed under authority of Chapter 39.30106 RCW ("Cascade"), is dated and effective this 1st day of January, 2009, 2013 ("Agreement").

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

Whereas, the Cascade Water Alliance was formed for the purpose of providing water supply to its Members; and

Whereas, in 2004, the Cascade Water Alliance and Seattle entered into a single-50-year Declining Block Water Supply Agreement, which was amended and restated in 2008; and

Whereas, the-in 2012, Cascade Water Alliance converted from a non-profit corporation formed under the Interlocal Cooperation Act to a municipal corporation under the Joint Municipal Utility Services Act, Chapter 39.106 RCW; and

Whereas, regional municipal water supply forecasts show a demand growing more slowly than previously forecast over the next 50 years resulting in an opportunity to reconsider future supply planning by both Parties; and

Whereas, after meeting the demands of its existing retail and wholesale customers, Seattle has water supply available to sell for a defined period with minimal risk of triggering the need for new supply development prior to 2060; and

Whereas, Cascade has determined that it can defer development of its Lake Tapps water right by purchasing additional block water from Seattle for a defined period and using its members' independent supplies; and

Whereas, temporary sales of additional block water from Seattle to Cascade would bring additional revenue into the Seattle system and allow Cascade to defer substantial capital investment to develop its Lake Tapps water right into the future; and

Whereas, Cascade and Seattle desire to amend the 20042008 Amended and Restated 50-year Declining Block Supply Water Supply Agreement to increase/restructure the supplemental block of water available for purchase by Cascade for its Members through December 31, 2023;

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and, to extend the total block of water from 2024 through 2044 and to restructure the declining block increments, all of which are mutually beneficial to the Parties and their respective customers by maximizing existing resources and stabilizing rate paths; and

Whereas, the Parties intend that this amendment to the Agreement continue the existing structure as a declining block contract based on the expectation that Cascade will develop its own independent supply and that Seattle will have no further obligation to provide additional water to Cascade during or beyond the amended term of this Agreement;

Now therefore, Seattle and Cascade agree to the following terms and conditions for the provision and purchase of a ~~50-year~~ declining block water supply.

ARTICLE I - AGREEMENT

Seattle agrees to sell to Cascade and Cascade 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 Cascade.

~~The term of this Agreement is fifty (50) years, with an effective date of January 1, 2004 and a termination date of through December 31, 20532063.~~

Beginning January 2020, and again each January at 5-year intervals, either Cascade or Seattle may request consideration of further extension of the supply commitment. Neither Party is obligated to agree to such discussion or any related extension or other amendment; and any extension or amendment would be subject only to terms negotiated at the time of such written amendment to this Agreement in accordance with Section 9.4.

Apart from the contract right to purchase water from Seattle under the terms of this Agreement, neither Cascade nor any Cascade Member has any right or claim to the Seattle Water System, the Cedar and Tolt Rivers and to the ~~Highline~~Seattle Well Fields, or to any other water right or claim held by Seattle. Likewise, Seattle shall have no right or claim to the Cascade Water System or to any groundwater right or claim held by any Cascade Member, or to any future source of supply developed by Cascade or by any of its Members. At the termination of this Agreement, Seattle shall have no further obligation to supply Cascade or any Cascade Member with water, with the exception of Cascade's right to purchase up to 5.3 MGD as set forth in Section 3.5.

ARTICLE II — DEFINITIONS

8 MGD Wholesale Water Supply. All or any portion of the 8 MGD Wholesale Water Supply as that term is defined in the Amended and Restated Agreement for the Sale of Wholesale Water between Cascade and the City of Tacoma, dated December 31, 2012. The Parties understand and agree that the 4 MGD and 6 MGD Wholesale Water Supplies under that same agreement are not

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covered by this Agreement as they would be wholesale sales by the City of Tacoma, not Cascade.

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

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AWWA. American Water Works Association.

Base Block. The amount of water Seattle commits to supply Cascade beginning on January 1, 2004 through the termination date of this Agreement, as specifically scheduled in Section 3.4 A.

Cascade Block. The total amount of water Seattle commits to supply Cascade under this Agreement, composed of the Base Block and the Supplemental Block, as more fully expressed in Article III.

Cascade Member. ~~A municipal water supplier~~Member of Cascade as that has entered into a Membership Agreement with term is defined in the Cascade Water Alliance Joint Municipal Utility Services Agreement, dated March 28, 2012, as it may be amended from time to time.

Cascade Points of Delivery. Seattle owned and operated specific metered delivery locations serving Cascade Members as listed in Exhibit II, at which Seattle provides a defined level of service, beginning from the outlet from the supply pipeline to the end of the Seattle meter vault, including the water meter and associated appurtenances.

Cascade Sub-regional System. Seattle owned and operated Transmission System assets serving Cascade Members as listed in Exhibit VII.

~~Cascade Volume Charge. In any year, the Cascade Volume Charge is the average cost to Cascade of each million gallons of water in the Base Block. The Cascade Volume Charge shall be calculated by dividing the projected annual cost of the Base Block calculated in accordance with Section 8.10.B, by the product of the Base Block and 365.~~

Cascade Water System. Tangible and intangible assets owned or operated by Cascade useable in connection with the provision of water supply.

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Existing Supply System Facilities. Seattle owned and operated Supply System assets as listed in Exhibit IV.

Existing Transmission System Facilities. Seattle owned and operated Transmission System assets as listed in Exhibit V.

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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 Agreement, Seattle's Firm Yield is 171 MGD, unless modified pursuant to Section 3.2.

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Full or Partial Requirements Customer Commodity Charge. The rate charged per 100 cubic feet (ccf) to wholesale customers served under Full or Partial Requirements Contracts in accordance with Seattle Municipal Code (SMC) 21.04.440.E.2, as it may be amended from time to time.

Management Agreement. A written agreement, pertaining to subjects authorized by this Agreement, between the Director, Seattle Public Utilities, and the General Manager, Chief Executive Officer ("CEO"), Cascade Water Alliance.

MGD. Million gallons per day.

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

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

Peak Month Factor. Average Daily Demand multiplied by 1.69

Peak Season. June 1 through September 30.

Peak Season Factor. Average Daily Demand multiplied by 1.35

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

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

Seattle Water System. ~~All Seattle Water System. The owned and operated water rights and claims and all Seattle owned and operated facilities, including the Seattle Existing Supply System Facilities as listed in Exhibit IV and, the Seattle Existing Transmission System Facilities as listed in Exhibit V, Cascade and other Sub-regional Facilities and Points of Delivery, together comprise the Seattle Water System.~~

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Sub-regional Facilities. Any facilities owned and operated by Seattle that are not identified as Existing Supply System Facilities (Exhibit IV), Existing Transmission System Facilities (Exhibit V), or Cascade Sub-regional System (Exhibit VII).

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Supplemental Block. The amount of water Seattle commits to supply Cascade beginning on January 1, 2009 through December 31, ~~2023~~2044, as specifically scheduled in Section 3.4 B.

White River – Lake Tapps Reservoir Project. Cascade's project to develop a new municipal drinking water supply in the future from the White River and Lake Tapps under water rights issued in 2010 under Permit Nos. S2-29920(A) and (B), S2-29934, R2-29935, and Claim No. 160822, as more particularly defined in Cascade's 2012 Transmission and Supply Plan.

ARTICLE III - SUPPLY

- 3.1 A. Each calendar year from the effective date of this Agreement, Seattle shall make available to Cascade the Base Block, according to the schedule set forth in Section 3.4.A.
- B. Each calendar year commencing January 1, 2009 and terminating on December 31, ~~2023~~2044, Seattle shall make available to Cascade the Supplemental Block, according to the schedule set forth in Section 3.4.B.
- 3.2 In the event the Firm Yield of the Seattle Supply System is reduced, the Cascade Block will be reduced in proportion to such reduction in Firm Yield only if the Firm Yield is reduced by order of a State or Federal regulatory agency with appropriate jurisdiction or as the result of updated climatic data utilized in the hydraulic model used to calculate Firm Yield, unless the Parties mutually agree by Management Agreement to a different reduction or no reduction to the Cascade Block if it is in each their best interests at the time. In the event of any reduction to the Cascade Block, the Base and Supplemental Blocks will be reduced in the same proportion, as appropriate. Cascade 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 Cascade Block.
- 3.3 Seattle will supply the Cascade Block during the Peak Season and Peak Month as follows below and will be adjusted proportionately in relation to the decreases identified in Section 3.4:
- A. During the Peak Season, Seattle shall make available the Cascade Block multiplied by the Peak Season Factor.
- B. During the Peak Month, Seattle shall make available the Cascade Block multiplied by the Peak Month Factor.
- 3.4 A. The Base Block shall be supplied in accordance with the following schedule:

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1. Beginning January 1, 2004 through December 31, 2023, Seattle shall make available to Cascade 30.3 MGD Average Daily Demand;
2. Beginning January 1, 2024 through December 31, 2029, Seattle shall make available to Cascade ~~25~~29.3 MGD Average Daily Demand;
3. Beginning January 1, 2030 through December 31, 2034, Seattle shall make available to Cascade ~~20.3~~26.8 MGD Average Daily Demand;
4. Beginning January 1, 2035 through December 31, ~~2039~~2045, Seattle shall make available to Cascade ~~15~~24.3 MGD Average Daily Demand;
5. Beginning January 1, ~~2040 through December 31, 2044~~2046, Seattle shall make available to Cascade ~~10~~23.3 MGD Average Daily Demand; and on each January 1 thereafter through December 31, 2063, the amount will decline by 1 MGD Average Daily Demand until it reaches 5.3 MGD Average Daily Demand.
6. Beginning January 1, ~~2045 through the termination date of this Agreement~~2064, Seattle shall make available to Cascade up to 5.3 MGD Average Daily Demand in accordance with Section 3.5.

B. The Supplemental Block shall be supplied in accordance with the following schedule:

1. Beginning January 1, 2009 through December 31, ~~2017~~2023, Seattle shall make available to Cascade 3.0 MGD Average Daily Demand;
2. Beginning January 1, ~~2018~~2024 through December 31, ~~2023~~2029, Seattle shall make available to Cascade ~~5~~4.0 MGD Average Daily Demand.

At the expiration of this Agreement
3. Beginning January 1, 2030 through December 31, 2034, Seattle shall make available to Cascade 6.5 MGD Average Daily Demand.
4. Beginning January 1, 2035 through December 31, 2039 Seattle shall make available to Cascade 9.0 MGD Average Daily Demand.
5. Beginning January 1, 2040 through December 31, 2040 Seattle shall make available to Cascade 7.0 MGD Average Daily Demand.
6. Beginning January 1, 2041 through December 31, 2041 Seattle shall make available to Cascade 5.0 MGD Average Daily Demand.
7. Beginning January 1, 2042 through December 31, 2042 Seattle shall make available to Cascade 3.0 MGD Average Daily Demand.
8. Beginning January 1, 2043 through December 31, 2043 Seattle shall make available to Cascade 2.0 MGD Average Daily Demand.
9. Beginning January 1, 2044 through December 31, 2044 Seattle shall make available to Cascade 1.0 MGD Average Daily Demand.

- 3.5 Beginning January 1, 2064, Cascade shall have the right to purchase up to 5.3 MGD for the sole purpose of serving Cascade Members that cannot be economically served by any other means than the Seattle Transmission System. The right to purchase up to 5.3 MGD shall be

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exercised by Cascade ~~upon a minimum of one year's~~ by providing written notice to Seattle ~~prior to the expiration of the Agreement by December 31, 2062,~~ specifying the Block of water from zero to 5.3 MGD and the Cascade Members to be served by that Block. If Cascade exercises this right, the parties shall enter into a separate agreement.

3.6

A. All water supplied to Cascade under this Agreement is ~~for provided with the purpose of re-sale intent to serve Cascade Members' retail customers without limitation.~~

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B. ~~Cascade or Cascade Members and other~~ may sell water supplied under this Agreement, or water from their respective independent supplies offset by water supplied under this Agreement, for wholesale purposes to non-Cascade Members only as follows:

1. For temporary emergency purposes under those specific emergency intertie agreements identified in Exhibit I.

2. To wholesale customers of Cascade or a Cascade Member as of Cascade January 31, 2013. The parties will amend Exhibit I by Management Agreement by June 1, 2013 to reflect all of the non-Cascade Members being served under this provision.

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3. Within the boundaries reflected on the map attached as Exhibit VIII provided that all: (a) Cascade provides advance written notice to Seattle in a form mutually agreed by the Parties by Management Agreement; and (b) if water sales under this subsection cumulatively exceed 0.5 MGD, an amount equivalent to any amounts exceeding the 0.5 MGD will be converted from Base Block to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale. Cumulative water sales under this subsection of 0.5 MGD and below will not trigger a conversion from Base Block to Supplemental Block ("0.5 MGD Allowance"). This provision does not apply to any wholesale sales authorized under Section 3.6 B.1 or 2 above.

4. Outside the boundaries reflected on the map attached as Exhibit VIII, except for then-current Seattle Wholesale Customers, provided that: (a) Cascade obtains Seattle's prior written consent; and (b) an equivalent amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale. Seattle's consent may be subject to conditions Seattle deems reasonably necessary to protect the Seattle Regional Water Supply System. This provision does not apply to sales described in Section 3.6 B.5 below. This provision does not apply to any wholesale sales authorized under Section 3.6 B.1 or 2 above.

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5. From the 8 MGD Wholesale Water Supply from the City of Tacoma or water supplies from Cascade's White River - Lake Tapps Reservoir Project, except for then-current Seattle Wholesale Customers, provided that: (a) Cascade provides advance written notice to Seattle in a form mutually agreed by the Parties by Management Agreement; and (b) an equivalent amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale, unless the sale is part of the 0.5 MGD Allowance under Section 3.6 B.3 above.

6. To then-current Seattle Wholesale Customers provided that: (a) Cascade obtains Seattle's prior written consent; and (b) the full amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale. Seattle's consent may be subject to conditions Seattle deems reasonably necessary to protect the Seattle Regional Water Supply System.

For the purposes of this Section 3.6 B, the Parties understand and agree that any wholesale sales made by Cascade or a Cascade Member prior to the full implementation and delivery of water supplies from Phase 2 of Cascade's White River - Lake Tapps Reservoir Project are made with water supplied under this Agreement or water from Cascade or Cascade Member's respective independent supplies offset by water supplied under this Agreement and that the applicable provisions of this Section 3.6 B apply to such wholesale sales. After the full implementation and delivery of water supplies from Phase 2 of Cascade's White River - Lake Tapps Reservoir Project, the Parties understand and agree that the applicable provisions of this Section 3.6 B will apply unless Cascade demonstrates and Seattle agrees that a particular wholesale sale by Cascade or a Cascade Member is from surplus independent supplies without offset by water supplied under this Agreement.

3.6C. All water supplied under this Agreement must be used within the designated place of use of Seattle's water certificates, permits, or claims, or service area under Seattle's water system plan.

3.7 A. ~~Before December 31, 2011~~ During the term of this Agreement, if an agency or Seattle Wholesale Customer identified in Exhibit III becomes a Cascade Member, Seattle will release that agency/customer from its obligations under its existing water supply contracts/contract with Seattle in accordance with the provisions of such contract and the Base/Supplemental Block will be increased by the allocated amount/block of water identified in Exhibit III for that customer, with a corresponding proportional increase to the adjusted Base/any adjustments or limitations to the Cascade Block in under Sections 3.3, 3.4 and 3.4-13. If that agency/entity takes delivery of all or a portion of its water through a Sub-regional Facility, Cascade and Seattle shall enter into a Management Agreement for to

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include the costs of such facility under this Agreement prior to increasing the BaseSupplemental Block.

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~~B. Before December 31, 2011, if a Cascade Member, previously a Seattle wholesale customer, withdraws from Cascade and contracts for water supply directly with Seattle, Cascade will release that Member from its Membership Agreement in accordance with the provisions of such Agreement, and the Base Block will be decreased by the amount of allocated water identified in accordance with the provisions of such Agreement in Exhibit III, with corresponding proportional decrease to the adjusted Base Block in Sections 3.3 and 3.4. If that agency takes delivery of all or a portion of its water through a Cascade Sub regional System Facility, Cascade and Seattle shall enter into a Management Agreement for the costs of such facility prior to decreasing the Base Block.~~

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 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 Average Daily Demand for a calendar year may be calculated by using the monthly meter readings around the 20th of each month from February through December of that calendar year plus a prorated amount for the number of days in January from the January meter read in that calendar year plus a prorated amount for the number of days in December from the January meter read in the following calendar year and dividing the total deliveries during such time by the actual number of days in that calendar year. The year-end prorations used to calculate ADD may be adjusted by Management Agreement based on changed meter reading procedures.

~~3-103.11~~ Seattle shall endeavor to read the meters at all Cascade Points of Delivery on the same day. In the event that meters at all Pointsany Cascade Point 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 Cascade volume for that metering period were read.

~~3-143.12~~ Normal operation of the water system includes the periodic shutdown of various facilities for routine maintenance, rehabilitation and replacement. Seattle and Cascade shall cooperate in the timing of such activities. Cascade 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.

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3.123.13 Nothing in this Agreement, including, but not limited to, any penalties for exceedance of the Cascade Block, 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 Cascade Block multiplied by 365 days (366 in leap years);
- B. Total deliveries during the Peak Season in the amount of the Cascade Block multiplied by 165 days;
- C. Total deliveries during the Peak Month in the amount of the Cascade Block multiplied by 51 days;
- D. Total deliveries during any consecutive 30-day period from October 1 to May 30 in the amount of the Cascade Block multiplied by 30 days;
- E. Total deliveries during any consecutive 7-day period in the amount the Cascade Block multiplied by 13 days;
- F. Total deliveries within any one-day period in the amount of the Cascade Block multiplied by 2 days.

Upon notice by Seattle of exceedance of these limits, Cascade must immediately reduce its deliveries of Seattle water. Upon the failure of Cascade to reduce its demand, Seattle may install and operate devices that limit deliveries to Cascade to these amounts, all at Cascade's expense.

ARTICLE IV - TRANSMISSION

4.1 Each calendar year during the term of this Agreement, Seattle shall sell to Cascade and Cascade 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 Cascade Block to Cascade at ~~Cascade's~~Cascade Points of Delivery. Adjustments in the Cascade Block shall result in an equivalent adjustment in Seattle's Transmission capacity commitment. The specific Cascade Points of Delivery that are to be adjusted and the adjustment for each Cascade 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. Cascade Points of Delivery are specifically identified in Exhibit II. The Parties may amend the location, hydraulic gradient and instantaneous flows at each Cascade Point of Delivery ~~may be changed~~ by Management Agreement.
- C. Seattle shall supply water at the inlet side of each Cascade Point of Delivery meter at a hydraulic gradient no less than the minimum identified in Exhibit II provided that the instantaneous flow does not to exceed that set forth in the same exhibit. Seattle may

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change the minimum hydraulic gradient at any Cascade Point of Delivery once during any fifteen-year period, provided that four years prior notice is given to Cascade. Under emergency conditions or other unusual short-term operating situations Seattle shall not be obligated to meet minimum hydraulic gradients.

D. Cascade may request changes to existing or additional Cascade Points of Delivery from the Seattle Existing Transmission System Facilities, which Seattle may approve or reject at its sole discretion. Seattle shall establish the minimum hydraulic gradient for any new Cascade Point of Delivery at its sole discretion, after consultation with Cascade. Changes~~The Parties may amend Exhibit II to reflect the changes in or additional Cascade~~ Points of Delivery ~~shall be determined under this section~~ by Management Agreement.

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

4.2 Cascade is served, in part, by transmission facilities referred to as the Cascade Sub-regional System listed in Exhibit VII. The costs of operating, maintaining, repairing and replacing these facilities shall be the responsibility of Cascade as outlined in Sections 8.6 and 8.7 below. The Parties may amend Exhibit VII by Management Agreement.

4.3 Nothing herein shall restrict Cascade's authority to construct an independent water transmission system for its own water supply.

4.4 Cascade Members have interties, listed in Exhibit I, with adjacent water utilities that are non-Cascade members. The Parties may amend Exhibit I by Management Agreement. Any existing agreements related to the billing and meter reading arrangements for these interties are assumed as a part of this Agreement. If new interconnections between Cascade or Cascade Members and non-Cascade members require similar billing and meter reading arrangements, such arrangements shall be defined in an agreement to be entered into by Cascade, Seattle and the non-Cascade member.

4.5 A. Transmission Wheeling. Seattle, at its discretion, may make excess transmission capacity available for a fee and under conditions it deems reasonable, for purposes of wheeling other water supply between points within the Seattle Water System to Cascade or others.

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B. Interconnection/Intertie.

1. In the event Cascade requests an interconnection to the Seattle Water System to take delivery of any other water supplied to Cascade under separate water supply contracts or arrangements, Cascade shall, at its expense, be responsible for the design, engineering, permitting and construction of any and all infrastructure necessary to interconnect to the Seattle Water System. Any interconnection to the Seattle Water System or intertie between the Seattle Water System and another water supply system will be subject to Seattle's review, approval and such conditions and requirements as Seattle and the other water supply system owner may determine to be reasonably necessary in order to provide and maintain the safe and efficient design, function, capacity, water quality, integrity and reliability of their respective water supply systems.

2. Seattle may request that the interconnection allow for joint use for Seattle's purposes subject to mutually agreed upon terms.

ARTICLE V - WATER QUALITY

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

ARTICLE VI - CONSERVATION

Each Party is committed to the principles of water conservation and each intends to achieve its anticipated savings by implementing water conservation programs either unilaterally or in partnership with other agencies. Cascade understands and agrees that as an existing wholesale customer of Seattle, this commitment includes good faith efforts in meeting the intent of Part 1, Section B.1.5 of the Settlement Agreement between the Muckleshoot Indian Tribe and the National Marine Fisheries Services and the City of Seattle (Civ. No. 03-3775JLR), by implementing, through its own water conservation program(s), conservation measures that provide comparable savings to those implemented by Seattle within the Seattle Retail Distribution System.

ARTICLE VII - PLANNING AND SHORTAGE MANAGEMENT

- 7.1 Each Party recognizes its obligation to plan for water supply and distribution in compliance with the 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.

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- 7.2 Cascade and Seattle shall coordinate the development, adoption and implementation of their respective Water Shortage Management Plans. 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 Cascade with respect only to the size of the Cascade Block at the time curtailment is required. In that event, the Base and Supplemental Blocks will be reduced or restricted in the same proportion, as appropriate.

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, 2004. Prior to that date, the pricing provisions of each Cascade Members' individual water supply contract with Seattle shall be maintained.~~ The parties understand and agree that the cost allocation and recovery provisions were specifically negotiated and based on specific consideration of the circumstances of this extended and restructured declining block contract, including but not limited to the limitations and restrictions applied in this Agreement, recognition of protection against stranded costs in the Seattle Water System, and recognition of the anticipated savings from Cascade's deferred capital project expenditures.
- 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 Existing~~ Supply System Facilities listed in Exhibit IV shall be included in the Existing Supply Cost Pool. The Parties may amend Exhibit IV by Management Agreement.
- 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, including the costs of the ~~1% conservation program from January 1, 2004 through 2010~~ Regional Conservation Program shall be included in the New Supply Cost Pool. If any portion of a New Supply Resource project enhances reliability of Existing Supply System Resources, the costs thereof may be allocated to the Existing Supply Cost Pool by Management Agreement.

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- 8.3 For purposes of determining the cost of the transmission of water to the Wholesale Customers there shall be three transmission cost pools consisting of an existing transmission cost pool ("Existing Transmission Cost Pool"), a new transmission cost pool ("New Transmission Cost Pool"), and a Cascade transmission cost pool ("Cascade Sub-regional System 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~~Existing Transmission System Facilities listed in Exhibit V, and may include costs related to Cascade Points of Delivery in accordance with this Agreement or as mutually agreed by Management Agreement to address third party claims arising from a Cascade Point of Delivery. Costs incurred for purposes of transmission reliability may be included in the Existing Transmission Cost Pool by Management Agreement. The Parties may amend Exhibit V 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~~Existing Transmission System Facilities which create an expansion of transmission capacity may be allocated to the New Transmission Cost Pool.
- C. Cascade Sub-regional System Cost Pool. The costs of operating, maintaining, repairing and replacing the Cascade Sub-Regional System ~~Facilities~~facilities owned by Seattle and listed in Exhibit VII shall be included in the Cascade Sub-regional System Cost Pool, in an amount proportionate to the use of the facilities by Cascade, together with any other costs Cascade and Seattle agree to include by Management Agreement. In the event that Cascade ceases to receive water through one or more of the facilities in the Cascade Sub-regional System, these facilities may be decommissioned at Seattle's sole discretion, and Cascade shall pay Seattle for the remaining Net Book Value of the decommissioned facilities in an amount proportionate to the use of the facilities by Cascade together with any decommissioning costs.
- 8.4 A. If Seattle determines that changing the location of a Cascade Point 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 Cascade of any proposed changes to a Cascade Point of Delivery and consult with Cascade to ensure minimal impact on the affected Cascade Member's distribution system and appropriate coordination of operation and construction activities.

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- B. The costs of operating, maintaining, repairing, replacing, relocating, maintaining adding or improving Cascade Points of Delivery for any other reason other than Section 8.4.A shall be borne by Cascade ~~regardless of, except to the cause provided extent~~ that such ~~cause is consistent with AWWA and safety standards and practices costs are due to the negligence of Seattle.~~ Costs will be invoiced and due in 30 days upon receipt or as otherwise provided for by Management Agreement: as provided in Article X. Seattle shall notify Cascade of any proposed improvements to a Cascade Point of Delivery and consult with Cascade to ensure minimal impact on the affected Cascade Member's distribution system and appropriate coordination of operation and construction activities. Allocation of costs related to third party claims arising from Cascade Points of Delivery may be handled pursuant to a Management Agreement.
- 8.5 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.
- 8.6 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 System Facilities, all Existing Transmission System Facilities, and all Cascade Sub-Regional System facilities, as well as their replacements and betterments. 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

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(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~~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 VI, as it may be updated from time to time by Management Agreement, 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~~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 VI, as it may be updated from time to time by Management Agreement.
3. Cascade Sub-regional System Cost Pool Operating Costs. Cascade Sub-regional System Cost Pool Operating Costs shall include: (i) the actual costs of operating the facilities listed in Exhibit VII in proportion to the actual use of such facilities by Cascade; (ii) the electricity costs paid by Seattle after the effective date of this Agreement, in accordance with certain contracts effective on or before January 1,

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2002 identified in Exhibit I, for pump stations owned and operated by Cascade Members and connected to the Tolt East Side Supply Line; and, (iii) any other costs approved by Management Agreement shall be Cascade Sub-regional System Cost Pool Operating Costs.

- 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.

8.7 For the Base Block, the costs in cost pools shall be allocated to Cascade as follows:

- A. Allocation of Existing Supply Cost Pool. Cascade shall pay one hundred two percent (102%) of the product of the Base Block and the costs in the Existing Supply Cost Pool divided by the Firm Yield. In the event the 171 MGD Firm Yield is modified downward in accordance with Section 3.2, this allocation formula will use the Base Block, whether reduced or not, and the modified Firm Yield. In the event the 171 MGD Firm Yield is modified upward (with no change in the Base Block), this allocation formula will continue to use the existing 171 MGD Firm Yield. The Parties understand and agree the intent of this provision is that Cascade will pay a consistent percentage of system costs regardless of modifications of Firm Yield unless the parties subsequently mutually agree to an alternative reduction to the Cascade Block pursuant to Section 3.2.
- B. Allocation of New Supply Cost Pool. Cascade shall pay none of the costs in the New Supply Cost Pool.
- C. Allocation of Existing Transmission Cost Pool. Cascade shall pay one hundred two percent (102%) of the product of the Base Block and the costs in the Existing Transmission Cost Pool divided by the Firm Yield. In the event the 171 MGD Firm Yield is modified downward in accordance with Section 3.2, this allocation formula will use the Base Block, whether reduced or not, and the modified Firm Yield. In the event the 171 MGD Firm Yield is modified upward (with no change in the Base Block), this allocation formula will continue to use the existing 171 MGD Firm Yield. The Parties understand and agree the intent of this provision is that Cascade will pay a consistent percentage of system costs regardless of modifications of Firm Yield unless the parties subsequently mutually agree to an alternative reduction to the Cascade Block pursuant to Section 3.2.
- D. Allocation of New Transmission Cost Pool. Cascade shall pay none of the costs in the New Transmission Cost Pool.

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E. Allocation of the Cascade Sub-regional System Cost Pool. Cascade shall pay costs in the Cascade Sub-regional System Cost Pool as follows:

1. 100% of the costs associated with all facilities listed in Exhibit VII.A.
2. A proportionate share of those facilities listed in Exhibit VII.B. based on flows of Cascade Members. Costs will be allocated based on Peak 7 Day flows through each segment. In the event that Peak 7 Day flow data is not available, Peak Month flows may be substituted.

8.8 For the Supplemental Block, Cascade shall pay the then current Full ~~and/or~~ Partial Requirements Customer Commodity Charge ~~per 100 cubic feet (ccf) as approved by the Seattle City Council from time to time. The Growth Charge shall not apply.~~ The Full ~~and/or~~ Partial Requirements Customer Commodity Charge shall be applied to the annual volume of the Supplemental Block allocated by month in accordance with the schedule in Section 8.10C.10 C. Seattle will provide Cascade 30 days' advance notice of any proposed changes to the Full ~~and/or~~ Partial Requirements Customer Commodity Charges. For months that include a rate change, the charge shall be prorated in accordance with the effective date of the rate change.

8.9 Cascade shall pay the costs of penalties for exceeding the Cascade Block, as defined in Section 8.11 and any other costs requiring invoice by Seattle within 30 days of invoice by Seattle. Overdue balances shall bear interest at the rate of 1% per month.

8.10 Cascade shall pay the annual costs allocated to Cascade in accordance with Section 8.7 ~~for~~ for the Base Block and 8.8 for the Supplemental Block as follows:

- A. Prospective Cost Estimate for the Base Block. Seattle may conduct a cost estimating study to revise estimates of the annual costs allocable to Cascade for the Base Block upon 120 days notice to Cascade. Cascade shall pay Seattle for the Base Block 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 the Base Block not less than the five following years.
- B. Statement of Annual Costs. On or before October 1st of each year, Seattle shall provide Cascade with its best, non-binding estimate of the annual costs for the Base and Supplemental Blocks for the next year. On or before December 1st of each year, Seattle shall notify Cascade of Cascade's annual costs for the Base and Supplemental Blocks for the next year. For the Base Block, such annual cost shall be the sum of the prospective cost estimate determined in accordance with Section 8.10A.10 A and the amount of excess or deficit identified in the most recent cost audit performed in accordance with Section 8.10D.10 D. For the Supplemental Block, such annual cost shall be in accordance with Section 8.8. In the event the Full ~~and/or~~ Partial Requirements Customer Commodity Charges change during the year, Seattle will

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provide Cascade with an updated cost estimate for the Supplemental Block for the remainder of that year.

- C. Payment Distribution. On or before the last day of each month, Cascade shall pay Seattle that portion of Cascade's annual cost for that year, calculated pursuant to Section 8.40B.10 B for the Base Block and Section 8.8 for the Supplemental Block, 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 Cascade be required to pay Seattle a monthly payment during a year until at least 30 days after Seattle provides Cascade with a statement of annual costs for that year, and such payments shall not be considered overdue, until 30 days after such statement is provided to Cascade.

- D. Cost Audit for the Base Block. No later than August 1 of each year, Seattle shall provide a statement of actual costs for the Base Block allocated to each cost pool and other costs and revenues received during the prior year, which statement shall be examined by an external auditor in an "agreed-procedures" engagement. In addition, Cascade may have the statement audited by an external auditor of its choice, solely at Cascade's expense. This statement shall clearly identify the amount by which payments for the Base Block made by Cascade during the prior year were in excess of, or insufficient to meet the actual costs allocable to Cascade for the Base Block 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 8.40B.10 B. 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 partyParty owing the balance to the party to whom the balance is owed.

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E. Payment from Gross Revenues. Cascade shall pay the Base Block and Supplemental Block charges out of its gross revenues. Except for the Transition Payments in Section 8.10 G below, Cascade'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 Cascade, payable prior to and superior to any charge or lien of any revenue bond issued by Cascade that are payable from the revenues of Cascade. Cascade shall establish rates and collect fees and charges for wholesale water service sufficient to pay for the maintenance and operation of its Cascade Water Supply System, including payments to Seattle, and the principal and interest on any and all Cascade revenue obligations that constitute a charge against the revenue of Cascade.

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 Cascade in order to pay for such expenditures. Any such emergency surcharge shall be presented to Cascade prior to adoption by Seattle. Seattle shall consider Cascade's comments but shall nevertheless have the full authority to adopt the charge.

G. Transition Payments. In consideration for entering into this 2nd Amended and Restated Declining Block Water Supply Agreement, Cascade will pay to Seattle, three transition payments of the following amounts and on the following schedule:

1. Payment of \$5 million due on or before June 30, 2013
2. Payment of \$12 million due on or before December 31, 2018
3. Payment of \$5 million due on or before December 31, 2024

Seattle will consider these transition payments as revenue to offset costs in the Existing Supply Cost Pool allocated to the Full and Partial Requirements customer class under the provisions of those contracts.

~~8.11 A.~~ 8.11 A. Charges will be imposed for exceeding the Cascade Block for Annual Average Annual Daily Demand, Peak Month Factor and Peak Season or Peak Month Block Factor limitations, based on daily averages measured according to Sections 3.8-3.10. These charges will be determined through the application of multipliers to the Cascade Volume Charge. The charge for exceeding the Cascade Block, Peak Month or Peak Season shall be calculated by (1) multiplying the Cascade Volume Charge by the appropriate factor in the following table, (2) multiplying by multiplier(s) from the following tables times the then current Full or Partial Requirements Customer Commodity Charge(s) for the period(s) in which the exceedance occurred, the result multiplied by the full amount of the exceedance over the applicable limit (in MGD) and

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(3) multiplied then multiplied by the actual number of days in the calendar year, 30 days for Peak Month or 122 days for Peak Season, whichever is applicable.

For the first instance in any five-year period, the following multipliers will apply:

<u>Multipliers for Charges for Water in Excess of Annual Average Daily Demand, Peak Season and Peak Month Block Limitations - First Instance in 5-Year Period</u>				
<u>Category</u>	<u>0 to 1 MGD</u>	<u>>1 to 3 MGD</u>	<u>>2 to 3 MGD</u>	<u>>3 MGD</u>
<u>Annual Average Daily Demand</u>	1.0	1.4	1.2	1.2
<u>Peak-Month Demand</u>	1.5	1.0	9.1	16.7
<u>Peak Season Demand</u>	1.5	1.0	3.1	4.7

B. The multipliers for the event that first 2 MGD in the table above reflect a buffer before penalty charges begin. Cascade Block, Peak Season agrees not to plan or Peak Month rely on this buffer as available firm supply.

B. For any additional instances of water in excess of the average annual and peak supply limitations are exceeded in 2 or more years during any consecutive in any five-year period, the following charges multipliers will apply:

<u>Category</u>	<u>Multipliers for Charges for Water in Excess of Annual Average Daily Demand, Peak Season and Peak Month Block Limitations - Additional Instances in 5-Year Period</u>			
	<u>0 to 1 MGD</u>	<u>>1 to 2 MGD</u>	<u>>2 to 3 MGD</u>	<u>>3 MGD</u>
<u>Annual Average Daily Demand</u>	1.0	1.4	1.2	1.2
<u>Peak-Month Demand</u>	1.5	1.0	9.1	16.7
<u>Peak Season</u>	1.5	1.0	3.1	4.7

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FINAL VERSION 04/16/13

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

<u>Demand</u> <u>Month</u>				
<u>Season</u>	<u>1.5</u>	<u>3.1</u>	<u>3.1</u>	<u>4.7</u>

C. In the event of 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.

8.12 Except in the case of an emergency, the provisions of Section 8.11 shall be applied reciprocally to Seattle to calculate credits to Cascade, should Seattle fail to deliver the Cascade Block as required by this Agreement.

ARTICLE IX - ADMINISTRATION

9.1 Seattle shall own and maintain appropriate metering devices to measure the water flowing from the Seattle Water System to each Point of Delivery. At Cascade's request and sole expense, Seattle will install and maintain equipment selected by Cascade and approved by Seattle to transmit signals to recording equipment of Cascade or its Members (located elsewhere) of the amount of water delivered, as measured by Seattle's meters.

~~9.2 As of the end of the calendar year immediately following the effective date of this Agreement and following a change in Cascade Membership through 2011, Seattle shall prorate the balances in the Purveyor Balance Accounts among its contract Purveyors (1982 Water Purveyor Contract, Version A or B) and transfer to Cascade the pro-rated balance of each Purveyor that is a Cascade Member, provided that such transfer shall occur only once for each Cascade Member.~~

~~9.3~~ 9.2 Seattle shall keep full and complete books of accounts for the Seattle Water Supply System and Seattle's retail distribution system in compliance with current standards required by the State Auditor. Cascade, 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 Cascade books and accounts.

~~9.4~~ 9.3 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.

FINAL VERSION 04/16/13

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9.54 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; provided however, that a change in Cascade's corporate form; ~~e.g., from interlocal organization~~ to another form of organization authorized by Washington law, shall not be considered an assignment. Seattle may not convey the Seattle Water System in its entirety or any of its component parts used to meet the obligations of this Agreement 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 writing executed by the Parties may modify this Agreement.

9.65 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 Seattle:
Director
Seattle Public Utilities
700 Fifth Avenue, 49th Fl.
Avenue NE, Suite 440400
Seattle, WA 98104

To Cascade:
Chief Executive Officer
Cascade Water Alliance
~~11400 SE 8th Street~~ 520 112th
Bellevue, WA 98004

9.76 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.

9.87 This Agreement 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 joint ventures. 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.

9.98 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 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 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.

FINAL VERSION 04/16/13

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~~9.10-9~~ In the event of a default in payment by Cascade, Seattle shall have the right to compensation from the constituent Cascade Members up to the proportionate share of each Member's use of the Cascade Block which ~~in the first 15 months of the Agreement~~ shall be established ~~by Exhibit III, and thereafter~~ by the most recent annual report of Cascade Member's proportionate use of the Cascade Block, which proportionate use shall total 100 percent of the Cascade Block. Cascade's annual proportionate use report shall be completed and delivered to Seattle no later than March 31 of each year. Each Cascade Member must acknowledge and accept this individual, contingent liability to Seattle in writing at the time that Cascade enters into this Agreement. ~~Those Cascade shall require those~~ agencies that later join Cascade ~~in accordance with Section 3.7A shall as a Cascade Member to~~ convey such written acknowledgment and acceptance to Seattle within one month of joining Cascade. ~~Should Without waiving any other remedies available under this Agreement or applicable law, should~~ any Cascade Member required to do so fail to convey such written acknowledgment and acceptance, Seattle shall have the unilateral right, upon written notice to Cascade, to reduce the Cascade Block by the amount allocated to such Cascade Member as set ~~forth in Exhibit III, or~~ by Cascade's most recent annual proportionate use report, until such written acknowledgment and acceptance is provided to Seattle.

~~9.11 Upon entering into this Agreement, or upon later becoming a Cascade Member, each water utility that is listed in Exhibit III thereby relinquishes its then existing Seattle wholesale contract and the terms and conditions of that contract shall have no further force or effect as to those utilities that are or become Cascade Members.~~

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ARTICLE X - TECHNICAL COMMITTEE

Technical Committees comprising of Seattle staff and other affected parties will address day to day operational issues related to the Seattle Water System. Finance cost and rate issues will be addressed independently between the Director of Seattle Public Utilities and the ~~General Manager~~CEO of Cascade Water Alliance, or their respective designees as provided for in written notice to the other. It is recognized that daily operation of the Seattle Water System and implementation of this Agreement may require direct communication and coordination between Seattle staff and the staff of ~~the Cascade or~~ Cascade Members. and accommodation of Cascade's insurers with respect to claims. The Parties may establish any desired communication or coordination and claim protocols by Management Agreement.

ARTICLE XI - DISPUTE RESOLUTION

FINAL VERSION 04/16/13

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- 11.1 Cascade 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~~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 Cascade 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

12.1 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.

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12.2 Upon occurrence of an unforeseen or unavoidable event that adversely impacts the Cascade Water System, Cascade 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. Cascade will act expeditiously to restore the Cascade 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,

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FINAL VERSION 04/16/13

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

ARTICLE XIV - COMPLETE AGREEMENT

This Agreement, as amended and restated herein, represents the entire agreement between the ~~parties~~Parties concerning the subject matter hereof. ~~Except as modified by this and will supercede Amended and Restated 50-Year Declining Block Water Supply Agreement, all other provisions from between the Agreement remain in full force and City of Seattle and the Cascade Water Alliance, dated December 17, 2008 upon the effective date noted herein, d~~ effect. This Agreement may not be amended except as provided in Section 9.~~54~~.

THE CITY OF SEATTLE, a municipal corporation;

By: _____
DIRECTOR, SEATTLE PUBLIC UTILITIES

DATE: _____

THE CASCADE WATER ALLIANCE, a ~~nonprofit corporation~~joint municipal utility services authority;

BY: _____
CHAIR, BOARD OF DIRECTORS

DATE: _____

FINAL VERSION 04/16/13

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EXHIBIT I

Other Agreements

FROM 2008 AGREEMENT – THE PARTIES ARE INTENDING TO AMEND THIS EXHIBIT I EITHER IN THE EXECUTED AGREEMENT OR IN A SEPARATE MANAGEMENT AGREEMENT EXECUTED AT THE SAME TIME.

CURRENT:

- 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:
 - a) Redmond/Union Hill Water Association Water Service Agreement
 - b) Redmond/Union Hill Water Association Agreement for Water System Interties
 - c) Redmond/Woodinville Water District Interlocal Agreement
 - d) Redmond/Woodinville Water District Agreement for Water System Interties
 - e) Redmond/Northeast Sammamish Water & Sewer District Agreement for Water System Interties
 - f) Skyway / WD 125
 - g) Bellevue/Coal Creek
 2. Other pertinent Agreements:
 - a. List of electric contracts for pump stations owned and operated by Cascade Members and connected to the Tolt Eastside Supply Line according to Section 8.6.B.3 of this Agreement:
 1. Between the City of Bellevue and the City of Seattle, effective August 1983, pursuant to Ordinance #111276 for SE 28th pumping station (50% / 50%) and N.E. 8th pumping station (Bellevue 60% / Seattle 40%)

DRAFT AMENDMENT

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 3.6, 4.4, and 8.6 of this Agreement:

1. Interties and associated agreements with other agencies, as referenced in Section 3.6, and 4.4:
 - h) Bellevue/Coal Creek

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FINAL VERSION 04/16/13

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- i) Bellevue/KC WD 117 (Hilltop)
- j) Bellevue/WD 1 (Yarrow Point)
- k) Bellevue/WD 22 (Beaux Arts)
- l) Issaquah/Issaquah Highlands Community Association for the Grand Ridge Drive Water Utility.
- m) Kirkland Northshore Utility District Intertie
- n) Redmond/Union Hill Water Association, Agreement for Water System Interties, NE 95th Street
- o) Redmond/Union Hill Water Association, Agreement for Water System Interties, Redmond Ridge
- p) Redmond/Woodinville Water District Interlocal Agreement and a series of Amendments
- q) Redmond/Woodinville Water District Agreement for Water System Interties
- r) Redmond/Northeast Sammamish Water & Sewer District Agreement for Water System Interties
- s) Sammamish Plateau W&SD/Ames Lake Water Association
- t) Sammamish Plateau W&SD/Northeast Sammamish Sewer and Water District (four interties)
- u) Sammamish Plateau W&SD/Overdale Water Association
- v) Skyway / WD 125
- w) Skyway/ Renton
- x) Tukwila/Water District No. 125 (2 agreements)
- y) Tukwila/Kent
- z) Tukwila/Renton
- aa) Tukwila/KC WD 75 (Highline WD)

2. Other pertinent Agreements:

- a. List of electric contracts for pump stations owned and operated by Cascade Members and connected to the Tolt Eastside Supply Line according to Section 8.6 B.3 of this Agreement:
 - 1. Between the City of Bellevue and the City of Seattle, effective August 1983, pursuant to Ordinance #111276 for SE 28th pumping station (50% / 50%) and N.E. 8th pumping station (Bellevue 60% / Seattle 40%)
 - 2. The Agreement regarding the pump station originally owned by the Rose Hill Water District and currently utilized by Redmond and Kirkland.

FINAL VERSION 04/16/13

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b) Agreements among and between Cascade and Cascade Members are not included in this Exhibit I; however, should a Cascade Member withdraw from Cascade, any such agreements are deemed to be included in this Exhibit and will be expressly included through amendment.

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

EXHIBIT II

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

METER SERVICE				MINIMUM HYDRAULIC GRADIENT AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)
LOCATION	STATION NUMBER (1)	PIPELINE SEGMENT NUMBER (1)	SIZE OF METER (IN.)		
Bellevue (* Redmond) 132 nd Ave. SE & SE 26 th Street	59	8	8	425	1,300
128 th Ave. SE & Newport Way	56	8	8	435	850
Mercer Is. Pipeline & 108 th Ave. SE	66	9	8	420	700
140 th Ave. NE & 40 th Street	65	2	10	500	3,500
132 nd Ave. NE & NE 14 th St.	62	2	12	470	4,500
132 nd Ave. NE & NE 24 th Street	63	2	10	455	4,500
152 nd Ave. NE & NE 8 th Street	61	2	24	460	3,500
145 th Pl. SE & SE 28 th Street	58	3	12	470	3,000
14509 SE Newport Way (2)	60	3	10	525	4,600
14509 SE Newport Way (6) (7)	TBD	3	10	525	2,900
128 th Ave SE & SE 56 th ST (3)	47	8	8	440	Backup to Sta. 55 (3)
128 th Ave SE & Newport Way (3)	55	8	6	435	800
120 th Ave SE & SE 35 th ST (3)	46	9	6	425	Backup to Sta. 124 (3)

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Amended and Restated
50-Year Declining Block Water Supply Agreement

FINAL VERSION 04/16/13

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1-90 & Lake Washington Boulevard ⁽³⁾	50	9	6	425	Fire flow backup only
124 th Ave SE & SE 38 PL ⁽³⁾	124	9	8	425	1,500
128 th Ave SE & SE 70 th ST ⁽⁴⁾	52	8	12	445	1,020
METER SERVICE					FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)
LOCATION	STATION NUMBER ⁽¹⁾	PIPELINE SEGMENT NUMBER ⁽¹⁾	SIZE OF METER (IN.)	MINIMUM HYDRAULIC GRADIENT AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	
Kirkland / Redmond					
132 nd Ave. NE & NE 113 th Street	74	1	10	555	4,500
132 nd Ave. NE & NE 85 th Street	75	1	16	535	4,080
140 th Ave. NE & NE 70 th Street	72	2	12	520	1,240
Redmond					
160 th Ave NE & NE 104 th Street	165	28	10	515	1,000 (combined with following planned new location) planned new location
NE 172 nd Street & Tolt Pipeline No. 2	TBD	28	TBD	515	
Trilogy Parkway NE & NE 125 Street	164	26	10	610	2,000 (combined with following planned additional meter) Planned additional meter
Trilogy Parkway NE & NE 125 Street	TBD	26	10	610	
Skyway					
84 th Ave. S & S 134 th Street	1	10	6	455	210
Beacon Ave S & S 124 th Street	5	10	8	455	720
Cornell Ave S & S 112 th Street	172	4	6	375	Backup service

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50 Year Declining Block Water Supply Agreement
2nd Amended and Restated

FINAL VERSION 04/16/13

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Tukwila						
39 th Ave S & S 112 Street	11	15	10	460	Backup service	
South Center Parkway & Tukwila Parkway	13	13	10	460	2,200	
West Valley Hwy & S 162 nd Street	14	13	8	460	Backup emergency service	
Christensen Rd. & Baker Rd	15	13	8	460	480	
METER SERVICE						
LOCATION	STATION NUMBER (1)	PIPELINE SEGMENT NUMBER (1)	SIZE OF METER (IN.)	MINIMUM HYDRAULIC GRADIENT AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)	
53 rd Ave S & S 160 th Street	16	13	6	460	20	
E Marginal Way & S 112 th Street	168	15	12	445	810	
51 st Ave S & S Leo Street	169	12	8	455	60	
W. Marginal Place & s 102 nd St.	170	5	12	300	80	
47 th Ave S & S Victor Street	173	12	6	425	Backup service	
TOTAL:					50,070	

Notes:

- (1) Station and Pipeline Segment Numbers pertain to the Demand Metering program.
- (2) Assumes existing 16-inch sonic meter is replaced with a 10-inch Protectus meter as planned.
- (3) These stations to be fully transferred from Coal Creek Utility District to Bellevue.

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- (4) This station supplies to Coal Creek Utility District directly. Assumes Coal Creek sub-meters 40 percent of total flow (average, peak) through this station to Bellevue.
- (5) Maximum combined flow of primary and backup stations shall not exceed the flow for the primary station as shown on this Exhibit.
- (6) Assumes a new 10-inch Protectus meter is installed as planned.
- (7) If another supply source of equal or higher capacity is provided into the Issaquah - Sammamish Plateau area by any party other than Seattle to serve Cascade members, Seattle's supply obligation at this station will terminate. Seattle's delivery obligation at this station is not transferable to any other station.

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EXHIBIT III

Block Allocations of Water by Individual SPU Wholesale Water Customers

Water Utility	Annual Block (110%)	Peak Season Factor	Peak Season Block	Peak Month Factor	Peak Month Block
Bothell	1.77	1.35	2.39	1.69	2.99
Cedar River	3.05	1.35	4.11	1.69	5.15
Coal Creek	1.02	1.35	1.38	1.69	1.73
Duvall	0.73	1.35	0.98	1.69	1.23
Edmonds	0.00	1.35	0.00	1.69	0.00
Highline	6.02	1.35	8.12	1.69	10.17
Mercer Island	2.24	1.35	3.03	1.69	3.79
Northshore	6.36	1.35	8.58	1.69	10.75
Olympic View	0.56	1.35	0.76	1.69	0.95
Shoreline WD	1.96	1.35	2.64	1.69	3.31
Soos Creek	5.03	1.35	6.79	1.69	8.50
Woodinville	5.01	1.35	6.76	1.69	8.46
WD 20	2.60	1.35	3.50	1.69	4.39
WD 45	0.33	1.35	0.45	1.69	0.56
WD 49	1.39	1.35	1.87	1.69	2.34
WD 85	0.00	1.35	0.00	1.69	0.00
WD 90	0.91	1.35	1.23	1.69	1.54
WD 119	0.46	1.35	0.62	1.69	0.78
WD 125	2.15	1.35	2.90	1.69	3.63
Existing Purveyor Totals	41.57		56.12		70.25

BLOCK ALLOCATIONS BY INDIVIDUAL WATER UTILITIES

As Measured at the Meter (Net of 2% Transmission Losses)

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	Annual Block	Peak Season Factor	Peak Season Block	Peak Month Factor	Peak Month Block
CWA	30.3		41.0		51.2
Existing Purveyors	30.28		41.02		51.23
Bellevue	17.67	1.35 a, b	23.85	1.70 f, b	30.04
Kirkland	4.40	1.35 a, b	5.94	1.70 f, b	7.48
Redmond	4.56	1.35 a, b	6.16	1.70 f, b	7.75
Skyway	0.48	1.12 a, c	0.54	1.32 f, c	0.63
Tukwila	3.17	1.43 a	4.53	1.68 f	5.33
New Purveyors	0.00		0.00		0.00
Covington	0.00	1.24 e	0.00	1.45 e	0.00
Issaquah	0.00	1.24 e	0.00	1.45 e	0.00
Sammamish Plateau	0.00	1.24 e	0.00	1.45 e	0.00
NON-CWA					
Existing Purveyors	42.38		54.86		68.30
Bothell	1.62	1.42 a	2.30	1.78 g	2.88
Cedar River	2.83	1.45 a	4.10	2.08 f	5.89
Coal Creek	0.94	1.42 a	1.33	1.90 f	1.79
Duvall	0.83	1.34 a	1.11	1.66 f	1.38
Edmonds	0.00	1.00	0.00	1.00	0.00
Highline	6.89	1.22 a	8.41	1.45 f	9.99
Mercer Island	2.15	1.44 a	3.10	1.86 f	4.00
Northshore	6.05	1.31 a	7.93	1.64 f	9.92
Olympic View	1.02	1.14 a	1.16	1.53 f	1.56
Shoreline	1.91	1.24 a	2.37	1.55 f	2.96
Soos Creek	4.62	1.17 a	5.41	1.27 f	5.87
Woodinville	5.57	1.42 a	7.91	1.84 f	10.25
WD 20	2.73	1.22 a, d	3.33	1.47 f, d	4.01
WD 45	0.30	1.22 a, d	0.37	1.47 f, d	0.44
WD 49	1.39	1.22 a	1.70	1.39 f	1.93
WD 85	0.11	1.22 a, d	0.13	1.47 f, d	0.16
WD 90	0.93	1.27 a	1.18	1.67 f	1.55
WD 119	0.42	1.16 a	0.49	1.62 f	0.68
WD 125	2.07	1.22 a, d	2.53	1.47 f, d	3.04

Notes: a. Based on water purchased from Seattle in 1998, which was the year in the period from 1994 to 2000 with the highest total system peak season factor. Billing data from May 22-Sept 22, 1998, was used to compute the factors.
b. Total average peaking factor for Bellevue, Kirkland and Redmond, since Redmond purchases Seattle water from Bellevue and Kirkland.
c. Based on total from Bryn Mawr and Skyway, which merged in 2001.
d. Total average peaking factor for W.D. 20, 45, 85, and 125, since these water districts operate as a consortium.
e. System average
f. Based on water purchased from Seattle in 1998, which was the year in the period from 1994 to 2000 with the highest total system peak month factor. Demand Metering data and Allocation Factor calculations for July 17-August 15, 1998, was used to compute the factors.
g. Because of possible metering errors during the peak month for Bothell in 1998, peak month factor is based on August purchases from Seattle in 2000.

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EXHIBIT IV

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

3. Seattle Wellfields

- 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, 2003
- Commercial Incentive Program through December 31, 2003
- Commercial Toilet Retrofit Program through December 31, 2003
- Showerhead retrofit Program through December 31, 2003
- The Seattle Forecasting Model (SEAFM Model)
- GIS Projects related to facilities identified herein as part of the Seattle Supply System

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EXHIBIT V

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

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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

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4. Certain costs related to Cascade Points of Delivery

Cascade Points of Delivery are generally not considered part of the Existing Transmission System Facilities, however, certain costs may be included in the Existing Transmission Cost Pool as follows:

- The costs of existing meters, vaults and related equipment at all Cascade Points of Delivery installed prior to 2004 to the extent those costs were unamortized as of December 31, 2003.
- Any costs related to Cascade Points of Delivery that are included in the Existing Transmission Cost Pool in accordance with the Agreement.

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, 2003. New and replacement meter installations shall be treated consistent with Section 8.4B.~~

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EXHIBIT VI**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%Regional Conservation Program shall be used as the indices for operations cost in the Existing Supply Cost Pool, Existing Transmission Cost Pool and for the 1%Regional Conservation 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
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

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Program	Project	Project Name	Activity
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 Chlorination 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

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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

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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 Standby
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

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EXHIBIT VII

Cascade Sub-regional System

The facilities included in this Exhibit incorporate all appurtenances including but not limited to rights of way, line valves, system meters, and remote automation devices.

A. Facilities used by Cascade:

- The NE 8th Street Feeder, from the Cedar Eastside Supply Line to the Bellevue pump station near the intersection of 151st PL NE and NE 8th Street
- The Bel-Red Road Feeder, from the Cedar Eastside Supply Line to the [Bellevue Cascade](#) Point of Delivery [in Bellevue](#) at the intersection of Bel-Red Road and 132nd Ave NE
- The NE 24th Street Feeder, from the Cedar Eastside Supply Line to the [Bellevue Cascade](#) Point of Delivery [in Bellevue](#) near the intersection of NE 24th Street and 132nd Ave NE

B. Other Sub-regional Transmission Facilities used in part by Cascade:

- SEGMENT 1 – Includes use by Bellevue, Coal Creek, Mercer Island, and Seattle and consists of:
 1. The portion of the of the original Mercer Island Pipeline from the tee off the Cedar Eastside Supply Line in Factoria Boulevard SE to the west flange of the main line tee at the east end of the 16-inch Mercer Slough Bridge Pipeline (30-inch).
- SEGMENT 2 – Includes use by Bellevue, Mercer Island, and Seattle and consists of:
 1. The portion of the of the original Mercer Island Pipeline from the west flange of the main line tee at the east end of the 16-inch Mercer Slough Bridge Pipeline to the west flange of the 20-inch valve west of the Enatai service to Bellevue (30-inch).
 2. The entire 16-inch Mercer Slough Bridge Pipeline (16-inch).
- SEGMENT 3 – Includes use by Tukwila and Seattle and consists of:
 1. The 20-inch pipeline in West Marginal Way from the West Seattle Pipeline to South Director Street.

Seattle may from time to time eliminate facilities from this list provided that it secures the written consent of Cascade in the event that Cascade is served by a tap or meter installation on the facility being eliminated. Seattle shall provide Cascade with 180 days prior written notice of any proposed change.

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STILL TO BE ADDED

EXHIBIT VIII

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FINAL VERSION 04/16/13

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

**2ND AMENDED AND RESTATED
DECLINING BLOCK
WATER SUPPLY AGREEMENT BETWEEN
THE CITY OF SEATTLE
AND
THE CASCADE WATER ALLIANCE**

_____, 2013

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

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THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

2nd AMENDED AND RESTATED
DECLINING BLOCK
WATER SUPPLY AGREEMENT BETWEEN
THE CITY OF SEATTLE
AND
THE CASCADE WATER ALLIANCE

This 2nd amendment to and restatement of the Declining Block Water Supply Agreement between the City of Seattle, a municipal corporation ("Seattle"), and the Cascade Water Alliance, a joint municipal utility services authority formed under authority of Chapter 39.106 RCW ("Cascade"), is dated and effective this ____ day of _____, 2013 ("Agreement").

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

Whereas, the Cascade Water Alliance was formed for the purpose of providing water supply to its Members; and

Whereas, in 2004, the Cascade Water Alliance and Seattle entered into a 50-year Declining Block Water Supply Agreement, which was amended and restated in 2008; and

Whereas, in 2012, Cascade converted from a non-profit corporation formed under the Interlocal Cooperation Act to a municipal corporation under the Joint Municipal Utility Services Act, Chapter 39.106 RCW; and

Whereas, regional municipal water supply forecasts show a demand growing more slowly than previously forecast over the next 50 years resulting in an opportunity to reconsider future supply planning by both Parties; and

Whereas, after meeting the demands of its existing retail and wholesale customers, Seattle has water supply available to sell for a defined period with minimal risk of triggering the need for new supply development prior to 2060; and

Whereas, Cascade has determined that it can defer development of its Lake Tapps water right by purchasing additional block water from Seattle for a defined period and using its members' independent supplies; and

Whereas, temporary sales of additional block water from Seattle to Cascade would bring additional revenue into the Seattle system and allow Cascade to defer substantial capital investment to develop its Lake Tapps water right into the future; and

Whereas, Cascade and Seattle desire to amend the 2008 Amended and Restated 50-year Declining Block Supply Water Supply Agreement to restructure the supplemental block of water through 2023, to extend the total block of water from 2024 through 2044 and to restructure the declining block increments, all of which are mutually beneficial to the Parties and their respective customers by maximizing existing resources and stabilizing rate paths; and

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

Whereas, the Parties intend that this amendment to the Agreement continue the existing structure as a declining block contract based on the expectation that Cascade will develop its own independent supply and that Seattle will have no further obligation to provide additional water to Cascade during or beyond the amended term of this Agreement;

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

ARTICLE I - AGREEMENT

Seattle agrees to sell to Cascade and Cascade 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 Cascade.

The term of this Agreement is January 1, 2004 through December 31, 2063.

Beginning January 2020, and again each January at 5-year intervals, either Cascade or Seattle may request consideration of further extension of the supply commitment. Neither Party is obligated to agree to such discussion or any related extension or other amendment; and any extension or amendment would be subject only to terms negotiated at the time of such written amendment to this Agreement in accordance with Section 9.4.

Apart from the contract right to purchase water from Seattle under the terms of this Agreement, neither Cascade nor any Cascade Member has any right or claim to the Seattle Water System, the Cedar and Tolt Rivers and to the Seattle Well Fields, or to any other water right or claim held by Seattle. Likewise, Seattle shall have no right or claim to the Cascade Water System or to any groundwater right or claim held by any Cascade Member, or to any future source of supply developed by Cascade or by any of its Members. At the termination of this Agreement, Seattle shall have no further obligation to supply Cascade or any Cascade Member with water, with the exception of Cascade's right to purchase up to 5.3 MGD as set forth in Section 3.5.

ARTICLE II – DEFINITIONS

8 MGD Wholesale Water Supply. All or any portion of the 8 MGD Wholesale Water Supply as that term is defined in the Amended and Restated Agreement for the Sale of Wholesale Water between Cascade and the City of Tacoma, dated December 31, 2012. The Parties understand and agree that the 4 MGD and 6 MGD Wholesale Water Supplies under that same agreement are not covered by this Agreement as they would be wholesale sales by the City of Tacoma, not Cascade.

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

Base Block. The amount of water Seattle commits to supply Cascade beginning on January 1, 2004 through the termination date of this Agreement, as specifically scheduled in Section 3.4 A.

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

Cascade Block. The total amount of water Seattle commits to supply Cascade under this Agreement, composed of the Base Block and the Supplemental Block, as more fully expressed in Article III.

Cascade Member. A Member of Cascade as that term is defined in the Cascade Water Alliance Joint Municipal Utility Services Agreement, dated March 28, 2012, as it may be amended from time to time.

Cascade Points of Delivery. Seattle owned and operated specific metered delivery locations serving Cascade Members as listed in Exhibit II, at which Seattle provides a defined level of service, beginning from the outlet from the supply pipeline to the end of the Seattle meter vault, including the water meter and associated appurtenances.

Cascade Sub-regional System. Seattle owned and operated Transmission System assets serving Cascade Members as listed in Exhibit VII.

Cascade Water System. Tangible and intangible assets owned or operated by Cascade useable in connection with the provision of water supply.

Existing Supply System Facilities. Seattle owned and operated Supply System assets as listed in Exhibit IV.

Existing Transmission System Facilities. Seattle owned and operated Transmission System assets as listed in Exhibit V.

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 Agreement, Seattle's Firm Yield is 171 MGD, unless modified pursuant to Section 3.2.

Full or Partial Requirements Customer Commodity Charge. The rate charged per 100 cubic feet (ccf) to wholesale customers served under Full or Partial Requirements Contracts in accordance with Seattle Municipal Code (SMC) 21.04.440.E.2, as it may be amended from time to time.

Management Agreement. A written agreement, pertaining to subjects authorized by this Agreement, between the Director, Seattle Public Utilities, and the Chief Executive Officer ("CEO"), Cascade Water Alliance.

MGD. Million gallons per day.

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

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

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

Peak Month Factor. Average Daily Demand multiplied by 1.69

Peak Season. June 1 through September 30.

Peak Season Factor. Average Daily Demand multiplied by 1.35

Rate of Return on Investment. The average cost of debt of the Seattle water system plus 1.5 percent.

Seattle Water System. All Seattle owned and operated water rights and claims and all Seattle owned and operated facilities, including the Seattle Existing Supply System Facilities as listed in Exhibit IV, the Seattle Existing Transmission System Facilities as listed in Exhibit V, Cascade and other Sub-regional Facilities and Points of Delivery, together comprise the Seattle Water System.

Sub-regional Facilities. Any facilities owned and operated by Seattle that are not identified as Existing Supply System Facilities (Exhibit IV), Existing Transmission System Facilities (Exhibit V), or Cascade Sub-regional System (Exhibit VII).

Supplemental Block. The amount of water Seattle commits to supply Cascade beginning on January 1, 2009 through December 31, 2044, as specifically scheduled in Section 3.4 B.

White River – Lake Tapps Reservoir Project. Cascade's project to develop a new municipal drinking water supply in the future from the White River and Lake Tapps under water rights issued in 2010 under Permit Nos. S2-29920(A) and (B), S2-29934, R2-29935, and Claim No. 160822, as more particularly defined in Cascade's 2012 Transmission and Supply Plan.

ARTICLE III - SUPPLY

- 3.1 A. Each calendar year from the effective date of this Agreement, Seattle shall make available to Cascade the Base Block, according to the schedule set forth in Section 3.4 A.
B. Each calendar year commencing January 1, 2009 and terminating on December 31, 2044, Seattle shall make available to Cascade the Supplemental Block, according to the schedule set forth in Section 3.4 B.
- 3.2 In the event the Firm Yield of the Seattle Supply System is reduced, the Cascade Block will be reduced in proportion to such reduction in Firm Yield only if the Firm Yield is reduced by order of a State or Federal regulatory agency with appropriate jurisdiction or as the result of updated climatic data utilized in the hydraulic model used to calculate Firm Yield,

Page 4

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

unless the Parties mutually agree by Management Agreement to a different reduction or no reduction to the Cascade Block if it is in each their best interests at the time. In the event of any reduction to the Cascade Block, the Base and Supplemental Blocks will be reduced in the same proportion, as appropriate. Cascade 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 Cascade Block.

3.3 Seattle will supply the Cascade Block during the Peak Season and Peak Month as follows below and will be adjusted proportionately in relation to the decreases identified in Section 3.4:

- A. During the Peak Season, Seattle shall make available the Cascade Block multiplied by the Peak Season Factor.
- B. During the Peak Month, Seattle shall make available the Cascade Block multiplied by the Peak Month Factor.

3.4

A. The Base Block shall be supplied in accordance with the following schedule:

- 1. Beginning January 1, 2004 through December 31, 2023, Seattle shall make available to Cascade 30.3 MGD Average Daily Demand;
- 2. Beginning January 1, 2024 through December 31, 2029, Seattle shall make available to Cascade 29.3 MGD Average Daily Demand;
- 3. Beginning January 1, 2030 through December 31, 2034, Seattle shall make available to Cascade 26.8 MGD Average Daily Demand;
- 4. Beginning January 1, 2035 through December 31, 2045, Seattle shall make available to Cascade 24.3 MGD Average Daily Demand;
- 5. Beginning January 1, 2046, Seattle shall make available to Cascade 23.3 MGD Average Daily Demand, and on each January 1 thereafter through December 31, 2063, the amount will decline by 1 MGD Average Daily Demand until it reaches 5.3 MGD Average Daily Demand.
- 6. Beginning January 1, 2064, Seattle shall make available to Cascade up to 5.3 MGD Average Daily Demand in accordance with Section 3.5.

B. The Supplemental Block shall be supplied in accordance with the following schedule:

- 1. Beginning January 1, 2009 through December 31, 2023, Seattle shall make available to Cascade 3.0 MGD Average Daily Demand;
- 2. Beginning January 1, 2024 through December 31, 2029, Seattle shall make available to Cascade 4.0 MGD Average Daily Demand.
- 3. Beginning January 1, 2030 through December 31, 2034, Seattle shall make available to Cascade 6.5 MGD Average Daily Demand.
- 4. Beginning January 1, 2035 through December 31, 2039 Seattle shall make available to Cascade 9.0 MGD Average Daily Demand.

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5. Beginning January 1, 2040 through December 31, 2040 Seattle shall make available to Cascade 7.0 MGD Average Daily Demand.
 6. Beginning January 1, 2041 through December 31, 2041 Seattle shall make available to Cascade 5.0 MGD Average Daily Demand.
 7. Beginning January 1, 2042 through December 31, 2042 Seattle shall make available to Cascade 3.0 MGD Average Daily Demand.
 8. Beginning January 1, 2043 through December 31, 2043 Seattle shall make available to Cascade 2.0 MGD Average Daily Demand.
 9. Beginning January 1, 2044 through December 31, 2044 Seattle shall make available to Cascade 1.0 MGD Average Daily Demand.
- 3.5 Beginning January 1, 2064, Cascade shall have the right to purchase up to 5.3 MGD for the sole purpose of serving Cascade Members that cannot be economically served by any other means than the Seattle Transmission System. The right to purchase up to 5.3 MGD shall be exercised by Cascade by providing written notice to Seattle by December 31, 2062, specifying the Block of water from zero to 5.3 MGD and the Cascade Members to be served by that Block. If Cascade exercises this right, the parties shall enter into a separate agreement.
- 3.6
- A. All water supplied to Cascade under this Agreement is provided with the intent to serve Cascade Members' retail customers without limitation.
 - B. Cascade or Cascade Members may sell water supplied under this Agreement, or water from their respective independent supplies offset by water supplied under this Agreement, for wholesale purposes to non-Cascade Members only as follows:
 1. For temporary emergency purposes under those specific emergency intertie agreements identified in Exhibit I.
 2. To wholesale customers of Cascade or a Cascade Member as of January 31, 2013. The parties will amend Exhibit I by Management Agreement by June 1, 2013 to reflect all of the non-Cascade Members being served under this provision.
 3. Within the boundaries reflected on the map attached as Exhibit VIII provided that:
 - (a) Cascade provides advance written notice to Seattle in a form mutually agreed by the Parties by Management Agreement; and (b) if water sales under this subsection cumulatively exceed 0.5 MGD, an amount equivalent to any amounts exceeding the 0.5 MGD will be converted from Base Block to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale. Cumulative water sales under this subsection of 0.5 MGD and below will not trigger a conversion

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from Base Block to Supplemental Block (“0.5 MGD Allowance”). This provision does not apply to any wholesale sales authorized under Section 3.6 B.1 or 2 above.

4. Outside the boundaries reflected on the map attached as Exhibit VIII, except for then-current Seattle Wholesale Customers, provided that: (a) Cascade obtains Seattle’s prior written consent; and (b) an equivalent amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale. Seattle’s consent may be subject to conditions Seattle deems reasonably necessary to protect the Seattle Regional Water Supply System. This provision does not apply to sales described in Section 3.6 B.5 below. This provision does not apply to any wholesale sales authorized under Section 3.6 B.1 or 2 above.
5. From the 8 MGD Wholesale Water Supply from the City of Tacoma or water supplies from Cascade’s White River - Lake Tapps Reservoir Project, except for then-current Seattle Wholesale Customers, provided that: (a) Cascade provides advance written notice to Seattle in a form mutually agreed by the Parties by Management Agreement; and (b) an equivalent amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale, unless the sale is part of the 0.5 MGD Allowance under Section 3.6 B.3 above.
6. To then-current Seattle Wholesale Customers provided that: (a) Cascade obtains Seattle’s prior written consent; and (b) the full amount of the Base Block will be converted to Supplemental Block and charged in accordance with Section 8.8 from the effective date of the sale. Seattle’s consent may be subject to conditions Seattle deems reasonably necessary to protect the Seattle Regional Water Supply System.

For the purposes of this Section 3.6 B, the Parties understand and agree that any wholesale sales made by Cascade or a Cascade Member prior to the full implementation and delivery of water supplies from Phase 2 of Cascade’s White River – Lake Tapps Reservoir Project are made with water supplied under this Agreement or water from Cascade or Cascade Member’s respective independent supplies offset by water supplied under this Agreement and that the applicable provisions of this Section 3.6 B apply to such wholesale sales. After the full implementation and delivery of water supplies from Phase 2 of Cascade’s White River – Lake Tapps Reservoir Project, the Parties understand and agree that the applicable provisions of this Section 3.6 B will apply unless Cascade demonstrates and Seattle agrees that a particular wholesale sale by Cascade or a Cascade Member is from surplus independent supplies without offset by water supplied under this Agreement.

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- C. All water supplied under this Agreement must be used within the designated place of use of Seattle's water certificates, permits, or claims or service area under Seattle's water system plan.
- 3.7 During the term of this Agreement, if a Seattle Wholesale Customer identified in Exhibit III becomes a Cascade Member, Seattle will release that customer from its obligations under its existing water supply contract with Seattle in accordance with the provisions of such contract and the Supplemental Block will be increased by the allocated block of water identified in Exhibit III for that customer, with a corresponding proportional increase to any adjustments or limitations to the Cascade Block under Sections 3.3, 3.4 and 3.13. If that entity takes delivery of all or a portion of its water through a Sub-regional Facility, Cascade and Seattle shall enter into a Management Agreement to include the costs of such facility under this Agreement prior to increasing the Supplemental Block.
- 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 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 Average Daily Demand for a calendar year may be calculated by using the monthly meter readings around the 20th of each month from February through December of that calendar year plus a prorated amount for the number of days in January from the January meter read in that calendar year plus a prorated amount for the number of days in December from the January meter read in the following calendar year and dividing the total deliveries during such time by the actual number of days in that calendar year. The year-end prorations used to calculate ADD may be adjusted by Management Agreement based on changed meter reading procedures.
- 3.11 Seattle shall endeavor to read the meters at all Cascade Points of Delivery on the same day. In the event that meters at any Cascade Point 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 Cascade volume for that metering period were read.
- 3.12 Normal operation of the water system includes the periodic shutdown of various facilities for routine maintenance, rehabilitation and replacement. Seattle and Cascade shall cooperate in the timing of such activities. Cascade 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.

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

- 3.13 Nothing in this Agreement, including, but not limited to, any penalties for exceedance of the Cascade Block, 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 Cascade Block multiplied by 365 days (366 in leap years);
 - B. Total deliveries during the Peak Season in the amount of the Cascade Block multiplied by 165 days;
 - C. Total deliveries during the Peak Month in the amount of the Cascade Block multiplied by 51 days;
 - D. Total deliveries during any consecutive 30-day period from October 1 to May 30 in the amount of the Cascade Block multiplied by 30 days;
 - E. Total deliveries during any consecutive 7-day period in the amount the Cascade Block multiplied by 13 days;
 - F. Total deliveries within any one-day period in the amount of the Cascade Block multiplied by 2 days.

Upon notice by Seattle of exceedance of these limits, Cascade must immediately reduce its deliveries of Seattle water. Upon the failure of Cascade to reduce its demand, Seattle may install and operate devices that limit deliveries to Cascade to these amounts, all at Cascade's expense.

ARTICLE IV - TRANSMISSION

- 4.1 Each calendar year during the term of this Agreement, Seattle shall sell to Cascade and Cascade 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 Cascade Block to Cascade at Cascade Points of Delivery. Adjustments in the Cascade Block shall result in an equivalent adjustment in Seattle's Transmission capacity commitment. The specific Cascade Points of Delivery that are to be adjusted and the adjustment for each Cascade 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. Cascade Points of Delivery are specifically identified in Exhibit II. The Parties may amend the location, hydraulic gradient and instantaneous flows at each Cascade Point of Delivery by Management Agreement.
 - C. Seattle shall supply water at the inlet side of each Cascade Point of Delivery meter at a hydraulic gradient no less than the minimum identified in Exhibit II provided that the instantaneous flow does not to exceed that set forth in the same exhibit. Seattle may

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change the minimum hydraulic gradient at any Cascade Point of Delivery once during any fifteen-year period, provided that four years prior notice is given to Cascade. Under emergency conditions or other unusual short-term operating situations Seattle shall not be obligated to meet minimum hydraulic gradients.

- D. Cascade may request changes to existing or additional Cascade Points of Delivery from the Existing Transmission System Facilities, which Seattle may approve or reject at its sole discretion. Seattle shall establish the minimum hydraulic gradient for any new Cascade Point of Delivery at its sole discretion, after consultation with Cascade. The Parties may amend Exhibit II to reflect the changes in or additional Cascade Points of Delivery under this section by Management Agreement.
 - E. No provision of this Agreement shall be construed to require Seattle to provide flows greater than those identified in Exhibit II. Upon notice by Seattle, Cascade shall immediately reduce Cascade deliveries at a Cascade Point of Delivery to not more than those identified in Exhibit II. In the event that Cascade is unwilling or unable to reduce deliveries as required under this provision, Seattle may install and operate flow restricting devices at non-compliant Cascade Points of Delivery, all at Cascade expense.
- 4.2 Cascade is served, in part, by transmission facilities referred to as the Cascade Sub-regional System listed in Exhibit VII. The costs of operating, maintaining, repairing and replacing these facilities shall be the responsibility of Cascade as outlined in Sections 8.6 and 8.7 below. The Parties may amend Exhibit VII by Management Agreement.
 - 4.3 Nothing herein shall restrict Cascade's authority to construct an independent water transmission system for its own water supply.
 - 4.4 Cascade Members have interties, listed in Exhibit I, with adjacent water utilities that are non-Cascade members. The Parties may amend Exhibit I by Management Agreement. Any existing agreements related to the billing and meter reading arrangements for these interties are assumed as a part of this Agreement. If new interconnections between Cascade or Cascade Members and non-Cascade members require similar billing and meter reading arrangements, such arrangements shall be defined in an agreement to be entered into by Cascade, Seattle and the non-Cascade member.
 - 4.5 A. Transmission Wheeling. Seattle, at its discretion, may make excess transmission capacity available for a fee and under conditions it deems reasonable, for purposes of wheeling other water supply between points within the Seattle Water System to Cascade or others.

B. Interconnection/Intertie.

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1. In the event Cascade requests an interconnection to the Seattle Water System to take delivery of any other water supplied to Cascade under separate water supply contracts or arrangements, Cascade shall, at its expense, be responsible for the design, engineering, permitting and construction of any and all infrastructure necessary to interconnect to the Seattle Water System. Any interconnection to the Seattle Water System or intertie between the Seattle Water System and another water supply system will be subject to Seattle's review, approval and such conditions and requirements as Seattle and the other water supply system owner may determine to be reasonably necessary in order to provide and maintain the safe and efficient design, function, capacity, water quality, integrity and reliability of their respective water supply systems.
2. Seattle may request that the interconnection allow for joint use for Seattle's purposes subject to mutually agreed upon terms.

ARTICLE V - WATER QUALITY

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

ARTICLE VI - CONSERVATION

Each Party is committed to the principles of water conservation and each intends to achieve its anticipated savings by implementing water conservation programs either unilaterally or in partnership with other agencies. Cascade understands and agrees that as an existing wholesale customer of Seattle, this commitment includes good faith efforts in meeting the intent of Part 1, Section B.1.5 of the Settlement Agreement between the Muckleshoot Indian Tribe and the National Marine Fisheries Services and the City of Seattle (Civ. No. 03-3775JLR), by implementing, through its own water conservation program(s), conservation measures that provide comparable savings to those implemented by Seattle within the Seattle Retail Distribution System.

ARTICLE VII - PLANNING AND SHORTAGE MANAGEMENT

- 7.1 Each Party recognizes its obligation to plan for water supply and distribution in compliance with the 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 Cascade and Seattle shall coordinate the development, adoption and implementation of their respective Water Shortage Management Plans. Before invoking its Water Shortage

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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 Cascade with respect only to the size of the Cascade Block at the time curtailment is required. In that event, the Base and Supplemental Blocks will be reduced or restricted in the same proportion, as appropriate.

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. The parties understand and agree that the cost allocation and recovery provisions were specifically negotiated and based on specific consideration of the circumstances of this extended and restructured declining block contract, including but not limited to the limitations and restrictions applied in this Agreement, recognition of protection against stranded costs in the Seattle Water System, and recognition of the anticipated savings from Cascade's deferred capital project expenditures.
- 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 Existing Supply System Facilities listed in Exhibit IV shall be included in the Existing Supply Cost Pool. The Parties may amend Exhibit IV by Management Agreement.
- 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, including the costs of the Regional Conservation Program shall be included in the New Supply Cost Pool. If any portion of a New Supply Resource project enhances reliability of Existing Supply System 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 three transmission cost pools consisting of an existing transmission cost pool ("Existing Transmission Cost Pool"), a new transmission cost pool ("New Transmission Cost Pool"), and a Cascade transmission cost pool ("Cascade Sub-regional System Cost Pool").

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- 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 Existing Transmission System Facilities listed in Exhibit V and may include costs related to Cascade Points of Delivery in accordance with this Agreement or as mutually agreed by Management Agreement to address third party claims arising from a Cascade Point of Delivery. Costs incurred for purposes of transmission reliability may be included in the Existing Transmission Cost Pool by Management Agreement. The Parties may amend Exhibit V 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 System Facilities which create an expansion of transmission capacity may be allocated to the New Transmission Cost Pool.
 - C. Cascade Sub-regional System Cost Pool. The costs of operating, maintaining, repairing and replacing the Cascade Sub-Regional System facilities owned by Seattle and listed in Exhibit VII shall be included in the Cascade Sub-regional System Cost Pool, in an amount proportionate to the use of the facilities by Cascade, together with any other costs Cascade and Seattle agree to include by Management Agreement. In the event that Cascade ceases to receive water through one or more of the facilities in the Cascade Sub-regional System, these facilities may be decommissioned at Seattle's sole discretion, and Cascade shall pay Seattle for the remaining Net Book Value of the decommissioned facilities in an amount proportionate to the use of the facilities by Cascade together with any decommissioning costs.
- 8.4 A. If Seattle determines that changing the location of a Cascade Point 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 Cascade of any proposed changes to a Cascade Point of Delivery and consult with Cascade to ensure minimal impact on the affected Cascade Member's distribution system and appropriate coordination of operation and construction activities.
- B. The costs of operating, maintaining, repairing, replacing, relocating, adding or improving Cascade Points of Delivery for any reason other than Section 8.4.A shall be borne by Cascade, except to the extent that such costs are due to the negligence of Seattle. Costs will be invoiced and due in 30 days upon receipt or as otherwise provided for by Management Agreement as provided in Article X. Seattle shall notify Cascade of any proposed improvements to a Cascade Point of Delivery and consult with Cascade to ensure minimal impact on the affected Cascade Member's distribution system and appropriate coordination of operation and construction activities. Allocation of costs

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related to third party claims arising from Cascade Points of Delivery may be handled pursuant to a Management Agreement.

- 8.5 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.
- 8.6 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 System Facilities, all Existing Transmission System Facilities, and all Cascade Sub-Regional System facilities, as well as their replacements and betterments. 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

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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 VI, as it may be updated from time to time by Management Agreement, 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 VI, as it may be updated from time to time by Management Agreement.
3. Cascade Sub-regional System Cost Pool Operating Costs. Cascade Sub-regional System Cost Pool Operating Costs shall include: (i) the actual costs of operating the facilities listed in Exhibit VII in proportion to the actual use of such facilities by Cascade; (ii) the electricity costs paid by Seattle after the effective date of this Agreement, in accordance with certain contracts effective on or before January 1, 2002 identified in Exhibit I, for pump stations owned and operated by Cascade Members and connected to the Tolt East Side Supply Line; and, (iii) any other costs approved by Management Agreement shall be Cascade Sub-regional System Cost Pool Operating Costs.

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.

8.7 For the Base Block, the costs in cost pools shall be allocated to Cascade as follows:

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- A. Allocation of Existing Supply Cost Pool. Cascade shall pay one hundred two percent (102%) of the product of the Base Block and the costs in the Existing Supply Cost Pool divided by the Firm Yield. In the event the 171 MGD Firm Yield is modified downward in accordance with Section 3.2, this allocation formula will use the Base Block, whether reduced or not, and the modified Firm Yield. In the event the 171 MGD Firm Yield is modified upward (with no change in the Base Block), this allocation formula will continue to use the existing 171 MGD Firm Yield. The Parties understand and agree the intent of this provision is that Cascade will pay a consistent percentage of system costs regardless of modifications of Firm Yield unless the parties subsequently mutually agree to an alternative reduction to the Cascade Block pursuant to Section 3.2.
- B. Allocation of New Supply Cost Pool. Cascade shall pay none of the costs in the New Supply Cost Pool.
- C. Allocation of Existing Transmission Cost Pool. Cascade shall pay one hundred two percent (102%) of the product of the Base Block and the costs in the Existing Transmission Cost Pool divided by the Firm Yield. In the event the 171 MGD Firm Yield is modified downward in accordance with Section 3.2, this allocation formula will use the Base Block, whether reduced or not, and the modified Firm Yield. In the event the 171 MGD Firm Yield is modified upward (with no change in the Base Block), this allocation formula will continue to use the existing 171 MGD Firm Yield. The Parties understand and agree the intent of this provision is that Cascade will pay a consistent percentage of system costs regardless of modifications of Firm Yield unless the parties subsequently mutually agree to an alternative reduction to the Cascade Block pursuant to Section 3.2.
- D. Allocation of New Transmission Cost Pool. Cascade shall pay none of the costs in the New Transmission Cost Pool.
- E. Allocation of the Cascade Sub-regional System Cost Pool. Cascade shall pay costs in the Cascade Sub-regional System Cost Pool as follows:
 - 1. 100% of the costs associated with all facilities listed in Exhibit VII.A.
 - 2. A proportionate share of those facilities listed in Exhibit VII.B. based on flows of Cascade Members. Costs will be allocated based on Peak 7 Day flows through each segment. In the event that Peak 7 Day flow data is not available, Peak Month flows may be substituted.

8.8 For the Supplemental Block, Cascade shall pay the then current Full or Partial Requirements Customer Commodity Charge. The Full or Partial Requirements Customer Commodity Charge shall be applied to the annual volume of the Supplemental Block allocated by month in accordance with the schedule in Section 8.10 C. Seattle will provide Cascade 30 days' advance notice of any proposed changes to the Full or Partial Requirements Customer

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Commodity Charges. For months that include a rate change, the charge shall be prorated in accordance with the effective date of the rate change.

8.9 Cascade shall pay the costs of penalties for exceeding the Cascade Block, as defined in Section 8.11 and any other costs requiring invoice by Seattle within 30 days of invoice by Seattle. Overdue balances shall bear interest at the rate of 1% per month.

8.10 Cascade shall pay the annual costs allocated to Cascade in accordance with Section 8.7 for the Base Block and 8.8 for the Supplemental Block as follows:

- A. Prospective Cost Estimate for the Base Block. Seattle may conduct a cost estimating study to revise estimates of the annual costs allocable to Cascade for the Base Block upon 120 days notice to Cascade. Cascade shall pay Seattle for the Base Block 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 the Base Block not less than the five following years.
- B. Statement of Annual Costs. On or before October 1st of each year, Seattle shall provide Cascade with its best, non-binding estimate of the annual costs for the Base and Supplemental Blocks for the next year. On or before December 1st of each year, Seattle shall notify Cascade of Cascade's annual costs for the Base and Supplemental Blocks for the next year. For the Base Block, such annual cost shall be the sum of the prospective cost estimate determined in accordance with Section 8.10 A and the amount of excess or deficit identified in the most recent cost audit performed in accordance with Section 8.10 D. For the Supplemental Block, such annual cost shall be in accordance with Section 8.8. In the event the Full or Partial Requirements Customer Commodity Charges change during the year, Seattle will provide Cascade with an updated cost estimate for the Supplemental Block for the remainder of that year.
- C. Payment Distribution. On or before the last day of each month, Cascade shall pay Seattle that portion of Cascade's annual cost for that year, calculated pursuant to Section 8.10 B for the Base Block and Section 8.8 for the Supplemental Block, according to the following schedule:

January 5%
February 5%
March 6%
April 6%
May 6%
June 12%
July 13%
August 15%

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September 13%
October 7%
November 6%
December 6%

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

- D. Cost Audit for the Base Block. No later than August 1 of each year, Seattle shall provide a statement of actual costs for the Base Block allocated to each cost pool and other costs and revenues received during the prior year, which statement shall be examined by an external auditor in an “agreed-procedures” engagement. In addition, Cascade may have the statement audited by an external auditor of its choice, solely at Cascade’s expense. This statement shall clearly identify the amount by which payments for the Base Block made by Cascade during the prior year were in excess of, or insufficient to meet the actual costs allocable to Cascade for the Base Block 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 8.10 B. 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. Cascade shall pay the Base Block and Supplemental Block charges out of its gross revenues. Except for the Transition Payments in Section 8.10 G below, Cascade’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 Cascade, payable prior to and superior to any charge or lien of any revenue bond issued by Cascade that are payable from the revenues of Cascade. Cascade shall establish rates and collect fees and charges for wholesale water service sufficient to pay for the maintenance and operation of its Cascade Water System, including payments to Seattle, and the principal and interest on any and all Cascade revenue obligations that constitute a charge against the revenue of Cascade.
- 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 Cascade in order to pay for such expenditures. Any such emergency surcharge shall be presented to Cascade prior to adoption by Seattle. Seattle

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shall consider Cascade's comments but shall nevertheless have the full authority to adopt the charge.

G. Transition Payments. In consideration for entering into this 2nd Amended and Restated Declining Block Water Supply Agreement, Cascade will pay to Seattle, three transition payments of the following amounts and on the following schedule:

1. Payment of \$5 million due on or before June 30, 2013
2. Payment of \$12 million due on or before December 31, 2018
3. Payment of \$5 million due on or before December 31, 2024

Seattle will consider these transition payments as revenue to offset costs in the Existing Supply Cost Pool allocated to the Full and Partial Requirements customer class under the provisions of those contracts.

8.11 A. Charges will be imposed for exceeding the Cascade Block for Annual Average Daily Demand, Peak Month Factor and Peak Season Factor limitations, based on daily averages measured according to Sections 3.8-3.10. These charges will be determined by multiplying the appropriate multiplier(s) from the following tables times the then current Full or Partial Requirements Customer Commodity Charge(s) for the period(s) in which the exceedance occurred, the result multiplied by the full amount of the exceedance over the applicable limit (in MGD) and then multiplied by the actual number of days in the calendar year, 30 days for Peak Month or 122 days for Peak Season, whichever is applicable.

For the first instance in any five-year period, the following multipliers will apply:

Multipliers for Charges for Water in Excess of Annual Average Daily Demand, Peak Season and Peak Month Block Limitations - First Instance in 5-Year Period				
Category	0 to 1 MGD	>1 to 2 MGD	>2 to 3 MGD	>3 MGD
ADD	1.0	1.0	1.1	1.2
Month	1.0	1.0	9.1	16.7
Season	1.0	1.0	3.1	4.7

The multipliers for the first 2 MGD in the table above reflect a buffer before penalty charges begin. Cascade agrees not to plan or rely on this buffer as available firm supply.

B. For any additional instances of water in excess of the average annual and peak supply limitations in any five-year period, the following multipliers will apply.

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Multipliers for Charges for Water in Excess of Annual Average Daily Demand, Peak Season and Peak Month Block Limitations - Additional Instances in 5-Year Period				
Category	0 to 1 MGD	>1 to 2 MGD	>2 to 3 MGD	>3 MGD
ADD	1.0	1.1	1.1	1.2
Month	1.5	9.1	9.1	16.7
Season	1.5	3.1	3.1	4.7

C. In the event of 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.

8.12 Except in the case of an emergency, the provisions of Section 8.11 shall be applied reciprocally to Seattle to calculate credits to Cascade, should Seattle fail to deliver the Cascade Block as required by this Agreement.

ARTICLE IX - ADMINISTRATION

- 9.1 Seattle shall own and maintain appropriate metering devices to measure the water flowing from the Seattle Water System to each Point of Delivery. At Cascade's request and sole expense, Seattle will install and maintain equipment selected by Cascade and approved by Seattle to transmit signals to recording equipment of Cascade or its Members (located elsewhere) of the amount of water delivered, as measured by Seattle's meters.
- 9.2 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. Cascade, 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 Cascade books and accounts.
- 9.3 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.

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- 9.4 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; provided however, that a change in Cascade's corporate form to another form of organization authorized by Washington law, shall not be considered an assignment. Seattle may not convey the Seattle Water System in its entirety or any of its component parts used to meet the obligations of this Agreement 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 writing executed by the Parties may modify this Agreement.
- 9.5 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 Seattle:
Director
Seattle Public Utilities
700 Fifth Avenue, 49th Fl.
Seattle, WA 98104

To Cascade:
Chief Executive Officer
Cascade Water Alliance
520 112th Avenue NE, Suite 400
Bellevue, WA 98004

- 9.6 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.
- 9.7 This Agreement 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 joint ventures. 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.
- 9.8 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 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 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.
- 9.9 In the event of a default in payment by Cascade, Seattle shall have the right to compensation from the constituent Cascade Members up to the proportionate share of each Member's use of the Cascade Block which shall be established by the most recent annual

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report of Cascade Member's proportionate use of the Cascade Block, which proportionate use shall total 100 percent of the Cascade Block. Cascade's annual proportionate use report shall be completed and delivered to Seattle no later than March 31 of each year. Each Cascade Member must acknowledge and accept this individual, contingent liability to Seattle in writing at the time that Cascade enters into this Agreement. Cascade shall require those agencies that later join Cascade as a Cascade Member to convey such written acknowledgment and acceptance to Seattle within one month of joining Cascade. Without waiving any other remedies available under this Agreement or applicable law, should any Cascade Member required to do so fail to convey such written acknowledgement and acceptance, Seattle shall have the unilateral right, upon written notice to Cascade, to reduce the Cascade Block by the amount allocated to such Cascade Member as set by Cascade's most recent annual proportionate use report, until such written acknowledgement and acceptance is provided to Seattle.

ARTICLE X - TECHNICAL COMMITTEE

Technical Committees comprising of Seattle staff and other affected parties will address day to day operational issues related to the Seattle Water System. Finance cost and rate issues will be addressed independently between the Director of Seattle Public Utilities and the CEO of Cascade Water Alliance, or their respective designees as provided for in written notice to the other. It is recognized that daily operation of the Seattle Water System and implementation of this Agreement may require direct communication and coordination between Seattle staff and the staff of Cascade or Cascade Members and accommodation of Cascade's insurers with respect to claims. The Parties may establish any desired communication or coordination and claim protocols by Management Agreement.

ARTICLE XI - DISPUTE RESOLUTION

- 11.1 Cascade 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

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within thirty (30) days with the assistance of the mediator. The cost of mediation shall be shared by Cascade 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 Cascade Water System, Cascade 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. Cascade will act expeditiously to restore the Cascade 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 XIV - COMPLETE AGREEMENT

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

This Agreement, as amended and restated herein, represents the entire agreement between the Parties concerning the subject matter hereof and will supercede Amended and Restated 50-Year Declining Block Water Supply Agreement between the City of Seattle and the Cascade Water Alliance, dated December 17, 2008 upon the effective date noted herein.d effect. This Agreement may not be amended except as provided in Section 9.4.

THE CITY OF SEATTLE, a municipal corporation:

By: _____
DIRECTOR, SEATTLE PUBLIC UTILITIES

DATE: _____

THE CASCADE WATER ALLIANCE, a joint municipal utility services authority:

BY: _____
CHAIR, BOARD OF DIRECTORS

DATE: _____

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

EXHIBIT I

Other Agreements

[FROM 2008 AGREEMENT – THE PARTIES ARE INTENDING TO AMEND THIS EXHIBIT I EITHER IN THE EXECUTED AGREEMENT OR IN A SEPARATE MANAGEMENT AGREEMENT EXECUTED AT THE SAME TIME.]

CURRENT:

- 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:
 - a) Redmond/Union Hill Water Association Water Service Agreement
 - b) Redmond/Union Hill Water Association Agreement for Water System Interties
 - c) Redmond/Woodinville Water District Interlocal Agreement
 - d) Redmond/Woodinville Water District Agreement for Water System Interties
 - e) Redmond/Northeast Sammamish Water & Sewer District Agreement for Water System Interties
 - f) Skyway / WD 125
 - g) Bellevue/Coal Creek
 2. Other pertinent Agreements:
 - a. List of electric contracts for pump stations owned and operated by Cascade Members and connected to the Tolt Eastside Supply Line according to Section 8.6.B.3 of this Agreement:
 1. Between the City of Bellevue and the City of Seattle, effective August 1983, pursuant to Ordinance #111276 for SE 28th pumping station (50% / 50%) and N.E. 8th pumping station (Bellevue 60% / Seattle 40%)

DRAFT AMENDMENT

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 3.6, 4.4, and 8.6 of this Agreement:

1. Interties and associated agreements with other agencies, as referenced in Section 3.6, and 4.4:
 - h) Bellevue/Coal Creek

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

- i) Bellevue/KC WD 117 (Hilltop)
 - j) Bellevue/WD 1 (Yarrow Point)
 - k) Bellevue/WD 22 (Beaux Arts)
 - l) Issaquah/Issaquah Highlands Community Association for the Grand Ridge Drive Water Utility.
 - m) Kirkland Northshore Utility District Intertie
 - n) Redmond/Union Hill Water Association, Agreement for Water System Interties, NE 95th Street
 - o) Redmond/Union Hill Water Association, Agreement for Water System Interties, Redmond Ridge
 - p) Redmond/Woodinville Water District Interlocal Agreement and a series of Amendments
 - q) Redmond/Woodinville Water District Agreement for Water System Interties
 - r) Redmond/Northeast Sammamish Water & Sewer District Agreement for Water System Interties
 - s) Sammamish Plateau W&SD/Ames Lake Water Association
 - t) Sammamish Plateau W&SD/Northeast Sammamish Sewer and Water District (four interties)
 - u) Sammamish Plateau W&SD/Overdale Water Association
 - v) Skyway / WD 125
 - w) Skyway/ Renton
 - x) Tukwila/Water District No. 125 (2 agreements)
 - y) Tukwila/Kent
 - z) Tukwila/Renton
 - aa) Tukwila/KC WD 75 (Highline WD)
2. Other pertinent Agreements:
- a. List of electric contracts for pump stations owned and operated by Cascade Members and connected to the Tolt Eastside Supply Line according to Section 8.6 B.3 of this Agreement:
 - 1. Between the City of Bellevue and the City of Seattle, effective August 1983, pursuant to Ordinance #111276 for SE 28th pumping station (50% / 50%) and N.E. 8th pumping station (Bellevue 60% / Seattle 40%)
 - 2. The Agreement regarding the pump station originally owned by the Rose Hill Water District and currently utilized by Redmond and Kirkland.
 - b) Agreements among and between Cascade and Cascade Members are not included in this Exhibit 1; however, should a Cascade Member withdraw from Cascade, any such agreements are deemed to be included in this Exhibit and will be expressly included through amendment.

FINAL VERSION 04/16/13

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

EXHIBIT II

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

METER SERVICE				MINIMUM HYDRAULIC GRADIENT AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)
LOCATION	STATION NUMBER (1)	PIPELINE SEGMENT NUMBER ⁽¹⁾	SIZE OF METER (IN.)		
Bellevue (* Redmond)					
132 nd Ave. SE & SE 26 th Street	59	8	8	425	1,300
128 th Ave. SE & Newport Way	56	8	8	435	850
Mercer Is. Pipeline & 108 th Ave. SE	66	9	8	420	700
140 th Ave. NE & 40 th Street	65	2	10	500	3,500
132 nd Ave. NE & NE 14 th St.	62	2	12	470	4,500
132 nd Ave. NE & NE 24 th Street	63	2	10	455	4,500
152 nd Ave. NE & NE 8 th Street	61	2	24	460	3,500
145 th Pl. SE & SE 28 th Street	58	3	12	470	3,000
14509 SE Newport Way ⁽²⁾	60	3	10	525	4,600
14509 SE Newport Way ^{(6) (7)}	TBD	3	10	525	2,900
128 th Ave SE & SE 56 th ST ⁽³⁾	47	8	8	440	Backup to Sta. 55 ⁽⁵⁾
128 th Ave SE & Newport Way ⁽³⁾	55	8	6	435	800
120 th Ave SE & SE 35 th ST ⁽³⁾	46	9	6	425	Backup to Sta. 124 ⁽⁵⁾

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I-90 & Lake Washington Boulevard ⁽³⁾	50	9	6	425	Fire flow backup only
124 th Ave SE & SE 38 PL ⁽³⁾	124	9	8	425	1,500
128 th Ave SE & SE 70 th ST ⁽⁴⁾	52	8	12	445	1,020
METER SERVICE					FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)
LOCATION	STATION NUMBER ⁽¹⁾	PIPELINE SEGMENT NUMBER ⁽¹⁾	SIZE OF METER (IN.)	MINIMUM HYDRAULIC GRADIENT AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	
Kirkland / Redmond					
132 nd Ave. NE & NE 113 th Street	74	1	10	555	4,500
132 nd Ave. NE & NE 85 th Street	75	1	16	535	4,080
140 th Ave. NE & NE 70 th Street	72	2	12	520	1,240
Redmond					
160 th Ave NE & NE 104 th Street	165	28	10	515	1,000 (combined with following planned new location) planned new location
NE 172 nd Street & Tolt Pipeline No. 2	TBD	28	TBD	515	
Trilogy Parkway NE & NE 125 Street	164	26	10	610	2,000 (combined with following planned additional meter) Planned additional meter
Trilogy Parkway NE & NE 125 Street	TBD	26	10	610	
Skyway					
84 th Ave. S & S 134 th Street	1	10	6	455	210
Beacon Ave S & S 124 th Street	5	10	8	455	720
Cornell Ave S & S 112 th Street	172	4	6	375	Backup service

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Tukwila	11	15	10	460	Backup service
39 th Ave S & S 112 Street					
South Center Parkway & Tukwila Parkway	13	13	10	460	2,200
West Valley Hwy & S 162 nd Street	14	13	8	460	Backup emergency service
Christensen Rd. & Baker Rd	15	13	8	460	480
METER SERVICE					
LOCATION	STATION NUMBER (1)	PIPELINE SEGMENT NUMBER ⁽¹⁾	SIZE OF METER (IN.)	MINIMUM HYDRAULIC GRADIENT AT STATION (FEET NAVD-88 Datum)	FLOW UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT IS GUARANTEED (gpm)
53 rd Ave S & S 160 th Street	16	13	6	460	20
E Marginal Way & S 112 th Street	168	15	12	445	810
51 st Ave S & S Leo Street	169	12	8	455	60
W. Marginal Place & s 102 nd St.	170	5	12	300	80
47 th Ave S & S Victor Street	173	12	6	425	Backup service
TOTAL:				50,070	

Notes:

- (1) Station and Pipeline Segment Numbers pertain to the Demand Metering program.
- (2) Assumes existing 16-inch sonic meter is replaced with a 10-inch Protectus meter as planned.
- (3) These stations to be fully transferred from Coal Creek Utility District to Bellevue.
- (4) This station supplies to Coal Creek Utility District directly. Assumes Coal Creek sub-meters 40 percent of total flow (average, peak) through this station to Bellevue.
- (5) Maximum combined flow of primary and backup stations shall not exceed the flow for the primary station as shown on this Exhibit.

FINAL VERSION 04/16/13

THIS VERSION SHOWS ALL PROPOSED CHANGES TO THE 2008 AGREEMENT AS PRESENTED BY SPU ON 4/16/13, WITH THE EXCEPTION THAT CASCADE HAS ADDED A DRAFT AMENDMENT TO EXHIBIT I THAT IS STILL UNDER DISCUSSION. THIS VERSION DOES NOT INCLUDE EXHIBIT VIII WHICH IS STILL UNDER DISCUSSION.

- (6) Assumes a new 10-inch Protectus meter is installed as planned.
- (7) If another supply source of equal or higher capacity is provided into the Issaquah - Sammamish Plateau area by any party other than Seattle to serve Cascade members, Seattle's supply obligation at this station will terminate. Seattle's delivery obligation at this station is not transferable to any other station.

Block Allocations of Water by Individual SPU Wholesale Water Customers

Water Utility	Annual Block (110%)	Peak Season Factor	Peak Season Block	Peak Month Factor	Peak Month Block
Bothell	1.77	1.35	2.39	1.69	2.99
Cedar River	3.05	1.35	4.11	1.69	5.15
Coal Creek	1.02	1.35	1.38	1.69	1.73
Duvall	0.73	1.35	0.98	1.69	1.23
Edmonds	0.00	1.35	0.00	1.69	0.00
Highline	6.02	1.35	8.12	1.69	10.17
Mercer Island	2.24	1.35	3.03	1.69	3.79
Northshore	6.36	1.35	8.58	1.69	10.75
Olympic View	0.56	1.35	0.76	1.69	0.95
Shoreline WD	1.96	1.35	2.64	1.69	3.31
Soos Creek	5.03	1.35	6.79	1.69	8.50
Woodinville	5.01	1.35	6.76	1.69	8.46
WD 20	2.60	1.35	3.50	1.69	4.39
WD 45	0.33	1.35	0.45	1.69	0.56
WD 49	1.39	1.35	1.87	1.69	2.34
WD 85	0.00	1.35	0.00	1.69	0.00
WD 90	0.91	1.35	1.23	1.69	1.54
WD 119	0.46	1.35	0.62	1.69	0.78
WD 125	2.15	1.35	2.90	1.69	3.63
Existing Purveyor Totals	41.57		56.12		70.25

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. Seattle Wellfields

- 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, 2003
- Commercial Incentive Program through December 31, 2003
- Commercial Toilet Retrofit Program through December 31, 2003
- Showerhead retrofit Program through December 31, 2003
- The Seattle Forecasting Model (SEAFM Model)
- GIS Projects related to facilities identified herein as part of the Seattle Supply System

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

4. Certain costs related to Cascade Points of Delivery

Cascade Points of Delivery are generally not considered part of the Existing Transmission System Facilities, however, certain costs may be included in the Existing Transmission Cost Pool as follows:

- The costs of existing meters, vaults and related equipment at all Cascade Points of Delivery installed prior to 2004 to the extent those costs were unamortized as of December 31, 2003.
- Any costs related to Cascade Points of Delivery that are included in the Existing Transmission Cost Pool in accordance with the Agreement.

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.

EXHIBIT VI**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 Regional Conservation Program shall be used as the indices for operations cost in the Existing Supply Cost Pool, Existing Transmission Cost Pool and for the Regional Conservation 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

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
Program	Project	Project Name	Activity
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 UPOLAND 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 Chlorination 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 Standby
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 VII

Cascade Sub-regional System

The facilities included in this Exhibit incorporate all appurtenances including but not limited to rights of way, line valves, system meters, and remote automation devices.

A. Facilities used by Cascade:

- The NE 8th Street Feeder, from the Cedar Eastside Supply Line to the Bellevue pump station near the intersection of 151st PL NE and NE 8th Street
- The Bel-Red Road Feeder, from the Cedar Eastside Supply Line to the Cascade Point of Delivery in Bellevue at the intersection of Bel-Red Road and 132nd Ave NE
- The NE 24th Street Feeder, from the Cedar Eastside Supply Line to the Cascade Point of Delivery in Bellevue near the intersection of NE 24th Street and 132nd Ave NE

B. Other Sub-regional Transmission Facilities used in part by Cascade:

- SEGMENT 1 – Includes use by Bellevue, Coal Creek, Mercer Island, and Seattle and consists of:
 1. The portion of the of the original Mercer Island Pipeline from the tee off the Cedar Eastside Supply Line in Factoria Boulevard SE to the west flange of the main line tee at the east end of the 16-inch Mercer Slough Bridge Pipeline (30-inch).
- SEGMENT 2 – Includes use by Bellevue, Mercer Island, and Seattle and consists of:
 1. The portion of the of the original Mercer Island Pipeline from the west flange of the main line tee at the east end of the 16-inch Mercer Slough Bridge Pipeline to the west flange of the 20-inch valve west of the Enatai service to Bellevue (30-inch).
 2. The entire 16-inch Mercer Slough Bridge Pipeline (16-inch).
- SEGMENT 3 – Includes use by Tukwila and Seattle and consists of:
 1. The 20-inch pipeline in West Marginal Way from the West Seattle Pipeline to South Director Street.

Seattle may from time to time eliminate facilities from this list provided that it secures the written consent of Cascade in the event that Cascade is served by a tap or meter installation on the facility being eliminated. Seattle shall provide Cascade with 180 days prior written notice of any proposed change.

STILL TO BE ADDED

EXHIBIT VIII