

AGREEMENT FOR MARKET-PRICED WHOLESAL WATER SUPPLY

BETWEEN

THE CITY OF TACOMA, DEPARTMENT OF PUBLIC UTILITIES,

WATER DIVISION

AND

CASCADE WATER ALLIANCE

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MARKET-PRICED WHOLESAL WATER SUPPLY AGREEMENT

THIS AGREEMENT FOR THE SALE OF MARKET-PRICED WHOLESAL WATER (“**Agreement**” or “**2025 Market-Priced Agreement**”) is made and entered into as of this 18 day of March, 2025, (“**Effective Date**”), by and between the City of Tacoma, Department of Public Utilities, Water Division (“**Tacoma**”), and Cascade Water Alliance, a joint municipal utilities services authority (“**Cascade**”). Tacoma and Cascade are sometimes referred to collectively as the “**Parties**” and individually as a “**Party.**” This Agreement is made with reference to the following facts:

RECITALS

- A. WHEREAS, Tacoma is a municipality organized and operating under the laws of the State of Washington and operates a water utility pursuant to RCW 35.92.010;
- B. WHEREAS, pursuant to RCW 35.92.170–.200, Tacoma is authorized to operate a water utility outside its geographical boundaries and to sell water to customers outside of Tacoma’s city limits;
- C. WHEREAS, Cascade is a Washington municipal corporation organized under Chapter 36.106 RCW as a joint municipal utilities services authority and operating as a water purveyor under the laws of the State of Washington;
- D. WHEREAS, the Parties entered into the 2005 Agreement for the Sale of Wholesale Water, dated October 13, 2005 (“**2005 Water Supply Agreement**”) which was amended, restated, and superseded in its entirety in 2012 (“**2012 Water Supply Agreement**”), under which Cascade would pay an annual restructured payment, and through 2042, Cascade could request that Tacoma supply Cascade all or a portion of eight (8) million gallons per day (“**MGD**”) wholesale water supply to serve Cascade Members’ retail customers or for another direct use by Cascade or its Members, if determined available by Tacoma in its sole discretion;
- E. WHEREAS, Cascade currently contracts for 33.3 MGD of annual average wholesale block water from City of Seattle Public Utilities (“**Seattle Block Contract**”) through 2039, at which time the Seattle Block Contract capacity declines until reaching 5.3 MGD of annual average wholesale block water by 2064, with an option for a new contract to continue 5.3 MGD thereafter;
- F. WHEREAS, Cascade’s long-term planning projects small to moderate increases in total water demand, consistent with current trends of increasing efficiency and urban densification, such that Cascade also anticipates reduced peak factors as well as moderated demand forecasts in the future;
- G. WHEREAS, in its long-term water supply planning, Cascade considered the options of extending the Seattle Block Contract and of contracting with Tacoma for replacement of existing contract capacity

and the impact of those options on the development schedule of the Lake Tapps Reservoir water supply;

- H. WHEREAS, Cascade holds the water rights to the water of the Lake Tapps Reservoir and Cascade's long-term water supply planning indicates that deferral of the development of the Lake Tapps Reservoir water supply project has the potential to provide: (1) Cascade and the Puget Sound region with flexibility in maintaining a long-term reliable supply portfolio; (2) a regional benefit through more efficient use of existing available supplies and a revenue benefit for wholesale providers during the deferral period; and (3) a financial and economic advantage to Cascade by spreading capital costs over time;
- I. WHEREAS, the Cascade Board of Directors directed staff to negotiate a market-priced wholesale supply contract with Tacoma to allow a deferral of the Lake Tapps Reservoir supply system for an extended period of time, foster regional connectivity, and enhance regional resiliency;
- J. WHEREAS, Tacoma's supply and demand projections from Tacoma's integrated resource plan indicate that sufficient supply will be available to meet the water resource needs of Cascade for the foreseeable future;
- K. WHEREAS, Tacoma's place of use for its water rights encompasses all areas designated as places of use in Tacoma's Water Rights attached as Exhibit F and as allowed under RCW 90.03.386, and Tacoma affirms that it has and will maintain the authority to supply water to Cascade for use within the Cascade Members' existing service areas;
- L. WHEREAS, Tacoma and Cascade desire to enter into a long-term water supply relationship wherein Tacoma may supply a portion of Cascade's wholesale supply needs;
- M. WHEREAS, the closure of a pulp and paper mill in September 2023 resulted in significant excess supply and infrastructure capacity within the Tacoma water system;
- N. WHEREAS, Cascade is willing to purchase and accept delivery of such wholesale water supply and services from Tacoma as a direct wholesale customer of Tacoma in accordance with the terms and conditions of the 2025 Agreement for Wholesale Water Supply Between the City of Tacoma, Department of Public Utilities, Water Division and Cascade Water Alliance ("**2025 Wholesale Agreement**");
- O. WHEREAS, Cascade and Tacoma desire to advance regional interconnections to create a more resilient regional water supply system, better positioning the Puget Sound region to dynamically adapt to changing conditions, including climate change, seismic events, water quality disruptions, and droughts;

- P. WHEREAS, Cascade and Tacoma seek to make the most efficient use of available infrastructure and supply in the region to avoid unnecessary premature development of additional regional water supplies;
- Q. WHEREAS, in order to accomplish the above and accommodate Cascade's water supply needs changing over time, Cascade and Tacoma contemplate entering two agreements: this Agreement and a separate but related agreement, the 2025 Wholesale Agreement; and
- R. WHEREAS, in order for Tacoma to deliver water supply to Cascade, Cascade is responsible for constructing, at its cost, the facilities necessary to connect Cascade's system with that of Tacoma.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and conditions herein contained, the Parties agree as follows:

AGREEMENT

1. RESTATEMENT AND REPLACEMENT OF THE 2012 WATER SUPPLY AGREEMENT; SURVIVAL OF RESTATED RESTRUCTURING PAYMENT

A. As long as the conditions precedent to performance and effectiveness are satisfied as required by Section 2 (Conditions Precedent to Performance and Effectiveness) of this Agreement, from and after the Effective Date, this Agreement fully restates, replaces, and supersedes the 2012 Water Supply Agreement. For avoidance of doubt, Section 16 (Restated Restructuring Payment) of this Agreement, which is an amended and restated Section 9 of the 2012 Water Supply Agreement, and Cascade's payment obligations under it, will remain in force and effect until fully satisfied by Cascade by completion of payments as specified in Section 16 (Restated Restructuring Payment) of this Agreement. This Agreement shall govern and control the Parties' rights and obligations with respect to the subject matter herein.

B. In the event that this Agreement is terminated for any reason whatsoever, whether as a result of default by either Party or otherwise, before the end of the Term, Section 16 (Restated Restructuring Payment) of this Agreement, along with any other terms and conditions of this Agreement that must be reasonably construed to survive the expiration or termination of this Agreement in order to give full force and effect to the intent of the Parties as set forth herein, shall survive the expiration or termination of this Agreement, regardless of whether such survival is expressly specified.

C. The Parties agree that Tacoma has provided valuable consideration for the Restated Restructuring Payment in Section 16 (Restated Restructuring Payment) of this Agreement.

D. Separately, each Party acknowledges and agrees that the compensation and benefits specified herein constitute full, adequate, and sufficient consideration for this Agreement.

2. CONDITIONS PRECEDENT TO PERFORMANCE AND EFFECTIVENESS

Neither Party is obligated to perform under this Agreement and, notwithstanding the Effective Date or any other provision of this Agreement, including Section 24.B (Representations of the Parties), this Agreement is not effective unless and until the 2025 Wholesale Agreement has been duly authorized for execution by the Tacoma Public Utility Board, the Tacoma City Council, and the Cascade Board of Directors and so fully executed as authorized. If any of the Tacoma Public Utility Board, the Tacoma City Council, or the Cascade Board of Directors fails to authorize for execution the 2025 Wholesale Agreement and full execution is not accomplished as authorized, this Agreement and the 2025 Wholesale Agreement will be of no force or effect and the 2012 Water Supply Agreement will remain in full force and effect and govern the Parties' relationship with respect to the subject matter thereof.

3. CONFLICTS BETWEEN AGREEMENTS

Cascade is purchasing water from Tacoma under two different timelines and pricing structures. As such, two agreements govern these transactions: this Agreement and the 2025 Wholesale Agreement. In the event of a conflict between Section 16 (Restated Restructuring Payment) of this Agreement and any provision of the 2025 Wholesale Agreement, Section 16 (Restated Restructuring Payment) of this Agreement shall prevail.

4. TERM OF AGREEMENT

The term of this Agreement (“**Term**”) will commence on the Effective Date, will cover the provision of water from January 1, 2041 through December 31, 2062, and will end as of January 1, 2063, unless terminated earlier under Section 34.H (Amendments) of this Agreement or extended by the Parties through mutual written agreement.

5. DEFINITIONS AND RECITALS

- A. Defined terms for this Agreement are in the attached Exhibit A.
- B. Capitalized terms not otherwise defined in the body of this Agreement or in Exhibit A are defined in the Wholesale Water Regulations.
- C. The Recitals set forth above are hereby incorporated into and made a part of this Agreement.

6. EXHIBITS

This Agreement includes the Exhibits listed below, which are incorporated herein by this reference and any reference in this Agreement to an “Exhibit” by letter designation or title shall mean one of the Exhibits identified below. If there is a conflict between the provisions contained within the body of this Agreement and the provisions of any Exhibit hereto, then the body of this Agreement shall take precedence, govern, and control. The Exhibits to this Agreement are:

- Exhibit A: Definitions
- Exhibit B: Schematic of Example Wholesale Connections
- Exhibit C: Dispute Resolution Procedures
- Exhibit D: Examples of Management Agreement Subjects
- Exhibit E: Sections 4.3 (Voting), 7.8 (Payment procedures – Default – Step-up provisions), and Article 9 (Duration and Dissolution – Withdrawal) of the Joint Municipal Utilities Services Agreement
- Exhibit F: Tacoma’s Water Rights
- Exhibit G: Market-Priced Wholesale Rate Methodology

7. MARKET-PRICED WHOLESALE SUPPLY

A. Water Rights

7.A.1. Tacoma’s place of use for its water rights encompasses all areas designated as places of use in Tacoma’s Water Rights attached as Exhibit F and as allowed under RCW 90.03.386. Tacoma affirms that it has and will maintain the authority to supply water to Cascade for use within the Cascade Members’ existing service areas. Cascade covenants that it will perform no act that will adversely impact Tacoma’s place of use or water rights associated with the water to be supplied to Cascade under this Agreement.

B. Market-Priced Wholesale Water Service Commitments

7.B.1. Tacoma will provide a market-priced wholesale water supply commitment of up to 12 MGD annual average and 17.5 MGD peak day supply of instantaneous, maximum flow beginning on January 1, 2041 and extending through December 31, 2062 (“**Market-Priced Wholesale Water Supply**”). Tacoma recognizes that Cascade may need to exceed flows above 17.5 MGD on a temporary basis for operational purposes, but Cascade will not exceed flows above 17.5 MGD over a 24-hour period.

7.B.1.1 Supply commitments greater than 17.5 MGD are limited by hydraulic limitations on Tacoma's Pipeline 5 and related wholesale and Regional Water Supply System ("RWSS") Partner supply obligations.

7.B.1.2 Tacoma, in its sole discretion, may consider whether the addition of certain infrastructure will increase Tacoma's ability to supply more than 17.5 MGD to Cascade in the future.

7.B.2. Cascade will phase into delivery of the Tacoma supply capacity as Cascade's wholesale block water under the Seattle Block Contract declines. The phase-in will be defined by Management Agreement under Section 18 (Cooperation; Management Agreements).

C. **Reliability**

7.C.1. Tacoma will provide water supply to Cascade at the same reliability standard as for its own system and consistent with its own system reliability.

7.C.2. Periodic shutdowns of Pipeline 5 will be needed for maintenance. These shutdowns will be planned as reasonably as possible in advance, coordinated with Cascade, and communicated in writing prior to the shutdown occurring. Except in the case of Uncontrollable Forces, Tacoma will provide Cascade at least thirty (30) days advance notice pursuant to Section 31 (Notices) of a shutdown of Pipeline 5 for maintenance.

7.C.3. Cascade will have to use alternate sources of water during these shutdowns. Cascade will be responsible for reliable transmission of the water supply from the delivery point to its own service area. In order for Cascade to adequately plan its system for outages, Tacoma will provide in advance to the extent possible, guidance as to reasonably expected outage frequency, duration, and schedule.

7.C.4. In recognition that Cascade will be reliant on Tacoma water supply as its primary source of supply, if mitigating for a planned outage causes Cascade to incur additional water supply expenses, Cascade shall receive a credit against the Market-Priced Fixed Monthly Charge. A credit under this Section 7.C.4 will only be available for an outage that is greater than two (2) weeks and will not exceed the amount Cascade otherwise would have paid under this Agreement for a period of four (4) months. Prior to credits being provided, Cascade will provide Tacoma documentation on the supplier, costs, and quantity of water that Cascade purchased as a result of a Tacoma outage.

8. MARKET-PRICED WHOLESALE WATER SERVICE

A. The Market-Priced Wholesale Water Supply shall be provided to Cascade as wholesale water service subject to and in compliance with the Wholesale Water Regulations, Applicable Law, Prudent Utility Practices, and the terms and conditions of this Agreement (“**Market-Priced Wholesale Water Service**”). Except as otherwise provided by this Agreement, service to Cascade shall be subject to and governed by the Wholesale Water Regulations. If, however, there is an express conflict or inconsistency between the terms and conditions of this Agreement and the terms and conditions of the Wholesale Water Regulations, then the terms and conditions of this Agreement shall take precedence, govern, and control.

B. Tacoma shall provide the Market-Priced Wholesale Water Service to Cascade with the same degree of reliability and certainty of supply as water provided by Tacoma to its existing wholesale and retail customers (including limitations thereof, such as provisions of the Wholesale Water Regulations pertaining to interruption of service). The Market-Priced Wholesale Water Service provided to Cascade is solely for the purpose of allowing Cascade Members to serve their retail customers or for wholesale resale, and related incidental and operational uses, as expressly provided for in Section 9 (Use of Water and Other Supply Agreements). It is not intended to provide fire flows or meet short-term needs for fire suppression, and Tacoma does not warrant that the flow or pressure of the Market-Priced Wholesale Water Service provided to Customer will be adequate for fire suppression purposes. Cascade acknowledges that Cascade and its Members are solely responsible for compliance with Applicable Law related to fire flows and fire suppression. The Parties acknowledge that Market-Priced Wholesale Water Service is inherently subject to disruption, interruption, suspension, curtailment, and fluctuation. Tacoma shall not have any liability to Cascade or any other Person for any disruption, interruption, suspension, curtailment, or fluctuation in the Market-Priced Wholesale Water Service, except as otherwise provided for in this Agreement.

9. USE OF WATER AND OTHER SUPPLY AGREEMENTS

A. All water supplied to Cascade under this Agreement is provided with the intent to serve Cascade Members’ retail and wholesale customers, and related incidental and operational uses, within all areas designated as places of use in Tacoma’s Water Rights attached as Exhibit F and as allowed under RCW 90.03.386.

B. Unless Tacoma provides prior written approval to Cascade, Cascade may not sell water supplied under this Agreement, or water from their respective independent supplies offset by water supplied under this Agreement, to any party who is a Tacoma wholesale customer at the time Cascade seeks to sell water to such party. 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:

9.B.1. For temporary emergency purposes; or

9.B.2. For wholesale services to utilities within all areas designated as places of use in Tacoma's Water Rights attached as Exhibit F and as allowed under RCW 90.03.386.

C. The limitations in Section 9.B may be revised or changed per negotiated and written agreement of the Parties.

D. Water supplied under this Agreement may not be delivered outside the authorized place of use in Tacoma's Water Rights attached as Exhibit F and as allowed under RCW 90.03.386.

10. COST RECOVERY

A. Charges and Ratemaking

10.A.1. Charges for Market-Priced Wholesale Water Service under this Agreement shall be set in accordance with the "**Utility-Basis Approach**" of ratemaking as generally described in the American Water Works Association ("**AWWA**") M1 manual "Principles of Water Rates, Fees and Charges, Seventh Edition." The methodology consists of the following general elements:

10.A.1.1 Define Rate Base - Utility Assets allocable to Cascade are identified and costs are quantified based on depreciated original cost.

10.A.1.2 Determine Annual Capital Cost Recovery - Capital costs include annual depreciation of the rate base plus return on rate base. Return on rate base is determined by multiplying a rate of return times the rate base.

10.A.1.3 Operating Expenses - Operating expenses are determined based on an allocation of applicable utility operating, maintenance, and administrative costs, including applicable taxes.

10.A.1.4 The total amount used to determine charges to Cascade consists of the sum of capital costs and operating expenses and establishes the basis for applicable charges.

10.A.1.5 The market-priced wholesale rate design is set to recover 25% of the total allocated cost through a monthly fixed charge and 75% through a volume charge, unless an alternate methodology is agreed upon by both Parties under Section 10.B (Changes in Methodology).

10.A.2. The specific methodology employed to determine annual rates and resulting charges to Cascade under this Agreement is defined in Exhibit G, including appendices

illustrating the calculation of the annual allocated costs and rates based on current costs. The methodology contained in Exhibit G may be revised by written agreement of the Parties, as provided in Section 10.B (Changes in Methodology).

B. Changes in Methodology

10.B.1. The rates computed using the methodology in Exhibit G will change as Tacoma's underlying costs and Cascade's proportional share of those costs change. Where needed, this methodology may be amended by Management Agreement, with the following exceptions:

10.B.1.1 The mark-up for administrative and overhead costs shall be the lesser of the currently calculated amount, or thirty (30) percent of allocated operating and maintenance costs.

10.B.1.2 The mark up for the Gross Earnings Tax on Utilities shall be the amount needed to recover the lesser of the currently adopted rate or eight (8) percent.

C. Payments and Billing

10.C.1. Amounts due Tacoma from Cascade for the Market-Priced Wholesale Water Service shall be determined, billed, and collected by Tacoma and paid by Cascade in accordance with the procedures for billings, collections, and payments set forth in the Wholesale Water Regulations. Tacoma shall utilize regular meter reads secured from SCADA signals to calculate a statement of charges for water service. In the event SCADA signals are unavailable, monthly manual reads will be used until such time that SCADA signals are restored.

10.C.2. During the term of this Agreement, for billing purposes, Tacoma shall apportion water between the 2025 Market-Priced Agreement and the 2025 Wholesale Agreement through the following procedure on a monthly basis.

In each month, water use is apportioned to this Agreement up to a maximum of 17.5 MGD per month ("**Market-Priced Agreement Monthly Cap**"). The exact volume varies depending on the number of days in the month or billing period. These volumes will be billed pursuant to the Market-Priced Agreement Volumetric Rate. Water use under this Agreement may not exceed 4,380 million gallons ("**MG**") in any calendar year ("**Market-Priced Agreement Annual Cap**").

Water use above the Market-Priced Agreement Monthly Cap in any month will be apportioned to the 2025 Wholesale Agreement for the duration of that month. Any water use after the Market-Priced Agreement Annual Cap has been exceeded in any calendar year will also be apportioned to the 2025 Wholesale Agreement for the duration of that calendar year. These volumes will be billed pursuant to the Wholesale Winter and Summer Volume Charges.

In no day or month shall water use exceed the combined Market-Priced Agreement Maximum Flow (17.5 MG) and 2025 Wholesale Agreement Maximum Flow (15 MGD) of 32.5 MGD.

The following Table 1 (Usage Limits) shows the usage limits under this Agreement and the 2025 Wholesale Agreement.

**Table 1
Usage Limits**

Market-Priced Agreement Annual Cap	4,380 MG
Market-Priced Agreement Monthly Cap	Billings Days x 17.5 MGD
Market-Priced Agreement Maximum Flow	17.5 MGD
2025 Wholesale Agreement Maximum Flow	15 MGD

10.C.3. Tacoma shall provide a monthly invoice documenting the apportionment of Actual Consumption between this Agreement and the 2025 Wholesale Agreement.

10.C.4. Cascade shall treat the payment of invoices as expenses paid out of its gross revenues, as defined in Cascade’s bond covenants.

D. Capacity Reservation Fee (“CRF”)

10.D.1. For the period between the execution of this contract and the beginning of water delivery, Tacoma may charge a CRF to Cascade.

10.D.2. The purpose of the CRF is to acknowledge the opportunity cost incurred by Tacoma to reserve system capacity for Cascade for the period of time that Cascade is not receiving water.

10.D.3. The CRF will be billed annually each January starting in 2026, terminating after December 31, 2040.

10.D.4. CRF payments made to Tacoma shall be credited toward future payments due from Cascade to Tacoma in the following manner:

10.D.4.1 50% of the cumulative CRF revenue collected by Tacoma between 2026 and 2040 will be recorded as an available rate credit to be applied toward future volumetric payments associated with this Agreement.

10.D.4.2 When available, CRF credits will be applied only against no more than 50% of the volumetric component of the monthly bill.

10.D.4.3 CRF credits may not be used to offset the Market-Priced Fixed Monthly Charge or the Restated Restructuring Payment in Section 16 (Restated Restructuring Payment).

10.D.5. Schedule of CRF Payments

Cascade will pay to Tacoma the CRF per the following Table 2 (Capacity Reservation Fee Payments):

Table 2
Capacity Reservation Fee Payments

Year	Capacity Reservation Fee
2026	\$ 87,000
2027	\$ 87,000
2028	\$ 116,000
2029	\$ 145,000
2030	\$ 145,000
2031	\$ 174,000
2032	\$ 174,000
2033	\$ 203,000
2034	\$ 203,000
2035	\$ 232,000
2036	\$ 232,000
2037	\$ 261,000
2038	\$ 261,000
2039	\$ 290,000
2040	\$ 290,000

E. Annual Reconciliation

10.E.1. Provided that agreed upon cost indices are applied to establish operations and maintenance costs and return on rate base, and given that capital costs will include construction work in progress (“**CWIP**”), the Parties agree that annual reconciliation is not needed.

11. MARKET-PRICED WHOLESALE WATER SUPPLY DELIVERIES

From and after January 1, 2041, the Market-Priced Wholesale Water Supply shall be made available to Cascade at the Supply Service Connections. The delivery and receipt of water that satisfies

regulatory water quality standards pursuant to Section 14 (Water Quality and Fluoridation) below, and the transfer of title to and custody and control of such water, shall occur at the Supply Service Connections. Standards for flow and pressure shall be developed by Management Agreement. Upon Cascade's acceptance of such water at the Supply Service Connections, Cascade assumes full responsibility for such water, its quality, and the means, methods, and facilities necessary to connect, receive, transport, deliver, and use such water as a source of water for resale by Cascade to Cascade's Members.

12. WHOLESALE WATER SUPPLY SERVICE CONNECTIONS AND INTERCONNECTION FACILITIES

A. Tacoma shall be responsible for the maintenance and operation of the Supply Service Connections in a manner that is consistent with Applicable Law and Prudent Utility Practices. If at any time during the Term Tacoma determines a need to upgrade, replace, or modify any of the Supply Service Connections, in whole or in part, Tacoma shall so notify Cascade, and cause such upgrade, replacement, or modification to occur at such time, place, and manner and with such labor, design, materials, and equipment as Tacoma shall determine, in its sole discretion. The cost to upgrade, replace, or modify any of the Supply Service Connections will be the responsibility of Cascade. Such capital costs paid by Cascade to Tacoma are considered funds provided in aid of construction. No wholesale service connections other than the Supply Service Connections are authorized by this Agreement, and no other such connections shall be allowed without a subsequent and separate written agreement between the Parties. Neither Party shall be obligated to agree to or execute any agreement or permit with the other Party to construct or use any additional wholesale service connection.

B. Cascade shall, at its expense, cause the Interconnection Facilities to be constructed, operated, tested, maintained and available for normal and reliable commercial operations within the range of operating conditions specified in this Agreement. Cascade shall submit to Tacoma for review and approval the designs, specifications, and construction schedule for any material repairs or replacements of the Interconnection Facilities, or for any expansions, improvements, or upgrades of the Interconnection Facilities. Tacoma will not unreasonably delay its review of the designs, specifications, and construction schedule submitted to it by Cascade and will not unreasonably withhold its approval of such designs, specifications, and construction schedule. Cascade will not commence any such repairs, replacements, expansions, improvements, or upgrades of the Interconnection Facilities unless and until Cascade has received approved designs, specifications, and construction schedule from Tacoma. Cascade shall construct and operate the Interconnection Facilities in a manner that is consistent with Applicable Law; the approved designs, specifications, and construction schedule; the provisions of all permits, regulatory approvals, and agreements governing the construction and operation of the Interconnection Facilities; and Prudent Utility Practices. Cascade shall own the Interconnection Facilities and shall, in all respects, be responsible for the design, function, capacity, and sufficiency of the Interconnection Facilities and the normal and reliable commercial operation thereof.

C. Without limiting the generality of the foregoing, Cascade shall:

12.C.1. be responsible for the operation and control of the Cascade Isolation Valve and any pressure-reducing valves, controllers, pedestals, and boxes operated by Cascade as part of the Interconnection Facilities; and

12.C.2. provide a sufficient permitted discharge location for sump pump discharge for the Supply Service Connections vault.

D. If, at any time or from time to time during the Term, Tacoma determines a need to repair, maintain, replace, renew, expand, or improve any of Tacoma's infrastructure, facilities, or systems and such work requires the relocation of all or any portion of the Interconnection Facilities, Tacoma shall provide reasonable advance notice, as is practicable under the circumstances, prior to the commencement of such work, and request by written notice to Cascade that Cascade relocate such Interconnection Facilities so as to accommodate the time, place, and manner of Tacoma's work. Upon receipt of such notice from Tacoma, Cascade shall promptly so relocate such Interconnection Facilities at Cascade's sole cost and expense.

E. Tacoma shall include Cascade in planning processes that directly relate to the Supply Service Connections. Cascade shall include Tacoma in planning processes that directly relate to the Interconnection Facilities. After Cascade's Tacoma-Cascade Pipeline Facilities Plan is finalized, the Parties shall enter into a Management Agreement to address Cascade's Interconnection Facilities and Tacoma's Supply Service Connections to minimize the potential for relocations under Section 12.D.

13. METER AND TELEMETRY EQUIPMENT

A. Tacoma shall, at Cascade's expense, provide for the procurement, installation, repair, replacement, calibration, and testing of the Meter and Telemetry Equipment as may be required at any time or from time to time during the Term. Such capital costs paid by Cascade to Tacoma are considered funds provided in aid of construction. Cascade shall provide, at its expense, a sufficient and reliable source of power and communications to the Meter and Telemetry Equipment. Tacoma shall determine the size of the Meter and Telemetry Equipment and the flow range within which the Meter and Telemetry Equipment must operate.

B. Tacoma shall perform the calibration and testing of the Meter and Telemetry Equipment. During the Term, Tacoma shall periodically test the Meter and Telemetry Equipment for accuracy, and the results of such testing shall be made available to Cascade. Cascade may also test the Meter and Telemetry Equipment at any reasonable time and at Cascade's expense. The results of any Meter and Telemetry Equipment test conducted by Cascade shall be made available to Tacoma at no charge. A

Meter and Telemetry Equipment accuracy measurement consistent with AWWA specifications or better shall be considered within calibration tolerance.

C. If a Party shall require access to any area under the care, custody, or control of the other Party for purposes of this Section 13.C, then such Party may request such access, subject to the other Party's prior approval, which such approval shall not be unreasonably withheld, conditioned, or delayed.

D. Cascade may request that Tacoma test the Meter and Telemetry Equipment. If the test discloses the Meter and Telemetry Equipment is accurate within the AWWA specifications, Cascade will be billed for the test and Cascade's water bill will not be adjusted. If the test discloses the Meter and Telemetry Equipment is not accurate within the AWWA specifications, Cascade's water bill will be adjusted and Cascade will not be billed for the test. Cascade will be credited for excess payments made by Cascade to Tacoma because of reads from inaccurate Meter and Telemetry Equipment. Cascade will owe Tacoma for water received but not paid for by Cascade because of reads from inaccurate Meter and Telemetry Equipment.

14. WATER QUALITY AND FLUORIDATION

A. Tacoma shall be responsible for water quality within the Tacoma 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. Tacoma shall provide Cascade with notice under Section 32 (Notices) within five (5) days of discovery of a water quality exceedance that Tacoma is required to report to the Washington State Department of Health or other Governmental Authority. Cascade and its Members shall be responsible for water quality within the Cascade Water System.

B. Tacoma shall also be responsible for the fluoridation of the water within the Tacoma Water System. If Cascade prefers non-fluoridated water, the removal of fluoride will be Cascade's responsibility and at Cascade's expense. If Tacoma, in its sole discretion, elects to discontinue fluoridation within the Tacoma Water System and Cascade would like to provide fluoridated water to its customers, the addition of fluoride will be Cascade's responsibility and at Cascade's expense. Tacoma shall provide Cascade as much notice as is practicable.

15. WATER MANAGEMENT AND SCHEDULING

A. On or before April 1 of each year during the Term, Cascade shall provide Tacoma with a Draft Operating Plan. At a minimum, the Draft Operating Plan shall contain Cascade's projected weekly water use from June 1 of the current year to June 30 of the following year. Water use projections should include water from any and all valid agreements Tacoma has with Cascade.

B. Cascade will provide Tacoma with a forecasted water use schedule for the Term as part of the Parties' five-year reviews pursuant to Section 20 (Review and Updates of Agreement) of this Agreement.

C. Prior to 10:00 a.m. on any Thursday during the Term, Cascade may submit to Tacoma, in the manner and in the form established by Tacoma, a schedule for wholesale water deliveries for the following seven (7) days ("**Schedule**"). The Schedule shall contain at a minimum a uniform rate of water deliveries for each day of the Schedule and shall take effect on the day following the Thursday the Schedule is submitted. Schedules so submitted shall remain in effect until replaced by a subsequent Schedule submitted in accordance with this Section 15.C.

D. The Parties agree to jointly develop and maintain operating protocols for items including the scheduling of water demand to ensure consistent flow control and treatment, routine operational communication, emergency shutdown, emergency contacts, and other items the Parties determine appropriate ("**Operating Protocols**"). The Operating Protocols shall be subject to Tacoma's approval, which such approval shall not be unreasonably withheld, conditioned, or delayed.

E. Tacoma reserves the right to modify, suspend, change, or amend Schedules and Operating Protocols as necessary to comply or conform with this Agreement, the Wholesale Water Regulations, Applicable Law, or Prudent Utility Practices, or to respond to Uncontrollable Forces. Tacoma will provide Cascade with thirty (30) days' advance notice of any modifications, suspensions, changes, or amendments to the Operating Protocols; provided, however, if the need to modify, suspend, change, or amend the Operating Protocols is attributable to Uncontrollable Forces, then Tacoma shall provide as much notice as is practicable under the circumstances.

16. RESTATED RESTRUCTURING PAYMENT: AMENDED AND RESTATED SECTION 9 OF THE 2012 WATER SUPPLY AGREEMENT

A. The Restated Restructuring Payment shall be paid by Cascade to Tacoma, in annual installments each year starting on January 1, 2026, as an Annual Restated Restructuring Payment in the amount set forth on the following payment schedule ("**Payment Schedule**").

16.A.1. At its option, starting with the Annual Restated Restructuring Payment due on January 1, 2030, Cascade may pay the Optional Payoff Amount identified in Table 3 (Restructured 2012 Agreement Payments Schedule and Amounts) below in advance of the due date for each annual payment. Cascade's payment of the Optional Payment Amount in advance of the corresponding due date identified in Table 3 (Restructured 2012 Agreement Payments Schedule and Amounts) would satisfy the remainder of Cascade's obligations under this Section 16 (Restated Restructuring Payment).

Table 3
Restructured 2012 Agreement Payments
Schedule and Amounts

Year	New Payment Schedule	Optional Payoff Amount
2026	\$2,383,546	N/A
2027	\$2,482,347	N/A
2028	\$2,553,206	N/A
2029	\$2,625,101	N/A
2030	\$3,413,588	\$29,772,406
2031	\$3,413,588	\$27,676,759
2032	\$3,413,588	\$25,476,330
2033	\$3,413,588	\$23,165,880
2034	\$3,413,588	\$20,739,907
2035	\$3,413,588	\$18,192,635
2036	\$3,413,588	\$15,518,000
2037	\$3,413,588	\$12,709,633
2038	\$3,413,588	\$9,760,848
2039	\$3,413,588	\$6,664,623
2040	\$3,413,588	\$3,413,588

16.A.2. The Annual Restated Restructuring Payment for 2026 shall be due and payable by Cascade on or before January 31, 2026. Thereafter, on or before January 31 of each year of the Term, Cascade shall pay to Tacoma the Annual Restated Restructuring Payment identified in the Payment Schedule for that year. Upon not less than fifteen (15) days' advance notice to Tacoma, Cascade may in any given year during the Term prepay without penalty the next successive Annual Restated Restructuring Payment to be due pursuant to the Payment Schedule, and any amounts so prepaid shall be applied by Tacoma to the next successive Annual Restated Restructuring Payment to become due and payable pursuant to the Payment Schedule.

16.A.3. If full payment of any Annual Restated Restructuring Payment is not received by Tacoma on or before the date due, such payment shall be considered past due, and the unpaid amount shall accrue interest, from the date due until the date paid, at a rate per day equal to a four (4) percent annual interest rate.

16.A.4. Cascade irrevocably waives any and all defenses available to it at law or in equity relating to the determination, collection, or enforcement of the Restated Restructuring Payment.

16.A.5. Cascade hereby covenants and agrees that under the 2012 Joint Municipal Utilities Services Agreement (“**2012 Joint Agreement**”), it has established, maintained, and collected, or, if necessary, shall establish, maintain, and collect, rates and charges for water and other services, facilities, and commodities sold, furnished, or supplied by it to Cascade Members which rates are, or shall be, adequate to provide revenues sufficient to enable Cascade to make the payments required to be made pursuant to the terms of this Agreement, including the Restated Restructuring Payment, and to pay all other charges and obligations payable from or constituting a charge or lien upon such revenues. Furthermore, Cascade covenants that it has established default and step-up provisions that require other Cascade Members to pay Cascade (in addition to Member Charges otherwise due) the defaulting Member’s Member Charges adequate to provide revenues sufficient to enable Cascade to make the payments required to be made pursuant to the terms of this Agreement, including the Restated Restructuring Payment, and to pay all other charges and obligations payable from or constituting a charge or lien upon such revenues. See Section 7.8 (Payment procedures – Default – Step-up provisions) of the 2012 Joint Agreement, attached to this Agreement as Exhibit E.

16.A.6. The Restated Restructuring Payment is not a payment made pursuant to a wholesale “rate” or derived from any such rate, charge, or fee for the sale of water to Cascade or to any other Person. The Restated Restructuring Payment is not due or made pursuant to a sale of water, nor is such payment made in consideration of, dependent or contingent upon, or in any way connected with, the sale of water to Cascade or to any other Person. As stipulated in Section 1.C, Tacoma has provided valuable consideration for the Restated Restructuring Payment.

17. CONSERVATION AND PLANNING

A. Coordination and Planning

17.A.1. The Parties shall seek to coordinate regional supply, planning, scheduling, and operational programs that promote efficient use of water supplies, facilities, finances, and staff resources. In addition to the obligations in Section 12.E, Tacoma may include Cascade in the development of its planning documents, including review of Tacoma’s water system plan, and Cascade may include Tacoma in the development of its planning documents, including review of Cascade’s water system plan. If requested by either Party, the other Party may participate in the planning and implementation process for conservation programs as they are developed and will share available conservation resources where beneficial to both Parties. In the event there is a water shortage or drought that requires Tacoma to institute water rationing or water use restrictions, Tacoma may institute reductions to deliveries of the Market-Priced Wholesale Water Supply consistent with the Wholesale Water Regulations and Prudent Utility Practices.

B. Conservation and Water Efficiency

17.B.1. 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.

17.B.2. Each Party will be separately responsible for funding and administrating their respective water conservation programs.

17.B.3. While maintaining separate programs, the Parties will seek to coordinate regional supply, planning, scheduling, and operational programs that promote efficient use of water supplies, facilities, finances, and staff resources. The Parties will also share available conservation resources where beneficial to both Parties.

17.B.4. In the event that there is a water shortage or drought that requires Tacoma to institute water rationing or water use restrictions, the provisions of Section 17.C (Shortage Management) shall govern.

C. Shortage Management

17.C.1. Each Party recognizes its obligations to plan for water supply and distribution in compliance with the State Department of Health and water system planning regulations.

17.C.2. The Parties shall coordinate the development, adoption, and implementation of their respective water shortage response plans and those elements of overlapping responsibilities.

17.C.3. Cascade will, to the degree necessary (and, while the Seattle Block Contract is in effect, consistent with Cascade's obligations to Seattle Public Utilities under the Seattle Block Contract), update its water shortage response plan for consistency with Tacoma's.

17.C.4. Once Cascade has begun to materially utilize Tacoma water (greater than five (5) MGD annual average), Cascade will initiate its water shortage response plan when Tacoma declares a water shortage. Cascade's response will be generally consistent with Tacoma's actions and level of demand reduction targeted.

17.C.5. During any such shortage, the Market-Priced Fixed Monthly Charge imposed by Tacoma under Section 10.C (Payments and Billing) will be reduced on a percentage basis by a level consistent with the level of demand reduction targeted.

17.C.6. Before invoking their respective water shortage response plans, the Parties shall communicate with each other concerning current and projected water supply conditions with adequate lead time for both Parties to manage the shortage.

17.C.7. Tacoma has negotiated agreements 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 Tacoma, its other wholesale customers, and Cascade.

17.C.8. Emergency shutdowns by either Party must be immediately communicated by phone with a follow-up written communication.

17.C.9. The Parties will further develop communication and operational protocols for shortages, supply disruptions, and/or emergencies in a Management Agreement.

18. COOPERATION; MANAGEMENT AGREEMENTS

A. The Parties agree that in taking actions or making determinations required or provided for under this Agreement, each Party shall act in fairness and in good faith, as set forth in Section 31 (Prudent Utility Practices and Good Faith) of this Agreement. The Parties will cooperate and use Prudent Utility Practices to facilitate the implementation of all aspects of this Agreement.

B. The Superintendent of Tacoma Water and the Chief Executive Officer of Cascade are authorized, at their discretion, to negotiate, mutually agree to, and execute written agreements referred to as "Management Agreements" pertaining to the implementation or administration of this Agreement to address more specific details of technical and operational aspects of this Agreement in a manner consistent with the terms of this Agreement. Examples of subjects where Management Agreements may be appropriate (without limitation) are provided in Exhibit D. Reference to Management Agreements in any section of this Agreement is not intended to limit the authorization under this Section 18.B.

C. A Management Agreement under this Section 18 (Cooperation; Management Agreements) may not amend, modify, or waive any provision of this Agreement. Any amendment or modification of this Agreement must be set forth in a written instrument that meets the requirements of Section 34.H (Amendments) of this Agreement. Any waiver of any term, condition, or provision of this Agreement must be set forth in a signed writing that meets the requirements of Section 34.D (Waiver).

19. TECHNICAL COMMITTEES

Technical Committees comprised of the Parties' staff will address day-to-day operational issues. Finance cost and rate issues will be addressed independently between the Superintendent of Tacoma Water and the Chief Executive Officer of Cascade, or their respective designees as provided for in written notice to the other. It is recognized that daily operation of the Tacoma Water System and implementation of this Agreement may require direct communication and coordination between Tacoma staff and the staff of Cascade or Cascade Members. The Parties may establish any desired communication or coordination and claim protocols by Management Agreement.

20. REVIEW AND UPDATES OF AGREEMENT

In recognition that emergent issues after the Effective Date may cause the Parties to mutually desire to update this Agreement, the Parties shall meet to jointly review this Agreement at least every five (5) years beginning in 2029 and ending no earlier than 2059.

21. REGULATORY COMPLIANCE

The Market-Priced Wholesale Water Service is provided subject to Applicable Law (including permits, authorizations, and the jurisdiction of a Governmental Authority to issue orders and regulations regarding the Wholesale Water Service and Wholesale Water Supply). Cascade understands and agrees that Tacoma must comply with all such laws, permits, authorizations, orders, and regulations, and that such laws, permits, authorizations, orders, and regulations are an Uncontrollable Force to the extent that they affect the ability of Tacoma to fulfill its obligations under this Agreement.

22. NO RIGHT OR CLAIM TO WATER RIGHTS

By this Agreement, Cascade secures a contractual right to receive Market-Priced Wholesale Water Service and to accept delivery from Tacoma of the Market-Priced Wholesale Water Supply as a wholesale customer. By this Agreement, Cascade acquires no right, title, or interest in or to (a) any water supply resources, storage, pipelines, infrastructure, facilities, equipment, or other items owned or controlled by Tacoma (including the Supply Service Connections and the Meter and Telemetry Equipment), or (b) any water rights, water claims, water permits, or water certificates.

23. MUTUAL RELEASE

Except and only as otherwise specifically provided by this Agreement, as of the Effective Date, each Party fully, unconditionally, and irrevocably quits, releases, surrenders, and discharges the other Party from any and all claims, liens, demands, actions, costs, losses, expenses, harm, damages, and liability (including, but not limited to, attorneys' fees) of any kind or character now or hereafter asserted

or arising directly or indirectly from, on account of, or in connection with the 2005 or 2012 Water Supply Agreements.

24. REPRESENTATIONS OF THE PARTIES

A. Each Party is duly authorized and validly existing under the laws of the State of Washington, is authorized to exercise its powers, rights and privileges under those laws, is in good standing in the State of Washington, and has full power and authority to carry on its business as presently conducted, to execute this Agreement, and to perform the transactions on its part as contemplated by this Agreement.

B. The execution, delivery, and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly authorized by the appropriate board or council, and no other act or proceeding on the part of any Party is necessary to authorize this Agreement, or the transactions contemplated hereby.

C. The execution, delivery, and performance of this Agreement by each Party does not: (a) contravene Applicable Law; or (b) conflict with or result in a breach of or default under any material agreement or instrument to which any Party is a party or by which it is bound.

D. There are no other actions, suits, claims, or proceedings pending or, to the best of each Party's knowledge, threatened against either Party that is likely to impair the consummation or the transactions contemplated hereby.

25. TITLE; RISK OF LOSS

A. Title to and risk of loss of water delivered by Tacoma to Cascade pursuant to Section 11 (Market-Priced Wholesale Water Supply Deliveries) shall pass from Tacoma to Cascade at the Supply Service Connections.

B. Title to the Supply Service Connection and the Meter and Telemetry Equipment shall be vested in Tacoma. Except as otherwise provided in Section 13 (Meter and Telemetry Equipment), Cascade shall have no right to operate, suspend, curtail, design, construct, test, maintain, repair, improve, replace, or use the Supply Service Connections or the Meter and Telemetry Equipment. Title to the Interconnection Facilities shall be vested in Cascade. Tacoma shall have no right or responsibility to operate, suspend, curtail, design, construct, test, maintain, repair, improve, replace, or use the Interconnection Facilities.

26. INDEMNITIES

A. Cascade shall defend, indemnify, and hold each and all of the Tacoma Indemnitees harmless from and against any and all claims, liens, demands, actions, losses, damages, costs, expenses, and liabilities (including attorneys' fees) (collectively, "**Cascade Claims**") arising directly or indirectly from or in connection with:

26.A.1. the transportation, storage, sale, delivery, or use by Cascade of any water delivered to Cascade in compliance with all applicable regulatory standards and in accordance with this Agreement;

26.A.2. any harm to Persons or damage to property caused by Cascade (or any of Cascade's agents, servants, employees, consultants, contractors, subcontractors (of any tier), or representatives) in connection with the exercise of Cascade's rights or obligations arising under this Agreement;

26.A.3. breach or default by Cascade under the Four Cities Agreement;

26.A.4. any material breach, failure of, inconsistency, inaccuracy, or default in any one or more representations made by Cascade in Section 24 (Representations of the Parties);

26.A.5. any failure of Cascade to perform or comply with any one or more obligations, made or arising under this Agreement;

26.A.6. the negligent, reckless, or otherwise tortious acts or omissions of Cascade, or anyone retained or employed by Cascade (including any of Cascade's agents, servants, employees, consultants, contractors, subcontractors (of any tier), or representatives), in performance of this Agreement;

26.A.7. the use or resale of the Market-Priced Wholesale Water Supply for fire flows or fire suppression purposes that is contrary to Section 8.B (Market-Priced Wholesale Water Service) of this Agreement; or

26.A.8. Cascade's Hazardous Substances. Cascade shall provide notice to Tacoma under Section 32 (Notices) within five (5) days of discovering a release of any Cascade Hazardous Substance that is reasonably foreseeable to enter the Tacoma Water System.

26.A.9. Sole Negligence. Nothing herein shall obligate Cascade to indemnify and hold the Tacoma Indemnitees harmless from and against any Cascade Claim that is wholly attributable to the sole negligence of any or all of the Tacoma Indemnitees.

B. Tacoma shall defend, indemnify, and hold each and all of the Cascade Indemnitees harmless from and against any and all claims, liens, demands, actions, losses, damages, costs, expenses, and liabilities (including attorneys' fees) (collectively, "**Tacoma Claims**"), arising from or in connection with:

26.B.1. the transportation, storage, sale, delivery by Tacoma of any water until delivered to Cascade in accordance with this Agreement;

26.B.2. any harm to Persons or damage to property caused by Tacoma (or any of Tacoma's agents, servants, employees, consultants, contractors, subcontractors (of any tier), or representatives) in connection with the exercise of Tacoma's rights and obligations arising under this Agreement;

26.B.3. any material breach, failure of, inconsistency, inaccuracy, or default in any one or more representations made by Tacoma in Section 24 (Representations of the Parties);

26.B.4. any failure of Tacoma to perform or comply with any one or more obligations, made, or arising under this Agreement;

26.B.5. the negligent, reckless, or otherwise tortious acts or omissions of Tacoma, or anyone retained or employed by Tacoma (including any of Tacoma's agents, servants, employees, consultants, contractors, subcontractors (of any tier), or representatives), in performance of this Agreement; or

26.B.6. Tacoma's Hazardous Substances. Tacoma shall provide notice to Cascade under Section 32 (Notices) within five (5) days of discovering a release of any Tacoma Hazardous Substance that is reasonably foreseeable to enter the Cascade Water System.

26.B.7. Sole Negligence. Nothing herein shall obligate Tacoma to indemnify and hold the Cascade Indemnitees harmless from and against any Tacoma Claim that is wholly attributable to the sole negligence of any or all of the Cascade Indemnitees.

27. WAIVER OF CONSEQUENTIAL DAMAGES

Except with respect to third-party claims as to which the Parties have assumed obligations arising under Section 26 (Indemnities) and notwithstanding anything else in this Agreement to the contrary, neither Party shall be liable as a result of any action or inaction under this Agreement or otherwise, including, without limitation, negligence or other fault, strict liability without regard to fault, breach of contract, or warranty, for any loss of profits or loss of revenue or any consequential, special, incidental, exemplary, punitive, or indirect losses or similar damages of any nature whatsoever, whether arising under the law of contracts, torts (including, without limitation, negligence of every kind

and strict liability, without fault), or property, or at common law or in equity, or otherwise, irrespective of whether such losses or similar damages are reasonably foreseeable and irrespective of whether such Party has been advised of the possibility or existence of such damages. This Section 27 (Waiver of Consequential Damages) has been mutually negotiated by the Parties and shall survive the expiration or termination of this Agreement.

28. DISPUTE RESOLUTION

A. **Resolution of Disputes.** Any and all claims, controversies, or disputes arising out of either Party's breach of or performance under this Agreement, or otherwise relating to or in connection with this Agreement, (each, a "**Dispute**") shall be resolved in accordance with the Dispute resolution procedures set forth in this Section 28 (Dispute Resolution).

B. **Initial Notice.** If either Party discovers or otherwise becomes aware of an event or occurrence that is reasonably expected to result in a Dispute, it shall notify the other Party by providing an initial notice pursuant to Section 32 (Notices) of such Dispute. The Parties will have ten (10) business days from receipt of an initial notice under this Section 28.B (Initial Notice) to attempt to resolve a Dispute. The initial mechanism to resolve a Dispute will involve informal negotiations between the Parties' representatives, as designated by each Party during the initial negotiations under this Section 28.B (Initial Notice).

C. **Formal Notice.** If the Parties do not resolve a Dispute within ten (10) business days after receipt of the initial notice in accordance with Section 28.B (Initial Notice), either Party may deliver to the other Party formal notice of the Dispute with a detailed description of the underlying circumstances of the Dispute. The notice under this Section 28.C (Formal Notice) shall be made pursuant to Section 32 (Notices) and include a schedule of the availability of the notifying Party's senior officer(s) (having a title of Superintendent, Chief Executive Officer, or an equivalent or higher ranking) duly authorized to settle the Dispute. The Parties will have thirty (30) business days from receipt of a notice under this Section 28.C (Formal Notice) to attempt to resolve the Dispute. Within three (3) business days following receipt of a notice under this Section 28.C (Formal Notice), the recipient Party shall provide to the notifying Party a parallel schedule of availability of the recipient Party's senior officers duly authorized to settle the Dispute. Following delivery of the respective senior officers' schedules of availability, the senior officers of the Parties shall meet and confer, as often as they deem reasonably necessary during the remainder of the thirty (30) business day period, to resolve the Dispute.

D. **Dispute Resolution Pursuant to Exhibit C and Judicial Relief.** If the Parties do not resolve a Dispute to their mutual satisfaction within thirty (30) business days after receipt of a formal notice in Section 28.C (Formal Notice), either Party may:

28.D.1. initiate the Dispute Resolution process in Exhibit C by providing notice to the other Party under this Section 28.D (Dispute Resolution Pursuant to Exhibit C and Judicial Relief); or

28.D.2. seek judicial relief by filing suit in a court of competent jurisdiction identified in Section 34.E (Governing Law) of this Agreement.

For avoidance of doubt, the Dispute resolution procedures in this Section 28 (Dispute Resolution) are in addition to, and not in lieu of, the Parties' right to seek and obtain judicial relief. As such, notwithstanding the Parties' good faith efforts under Sections 28.B (Initial Notice) and 28.C (Formal Notice), if at any time either Party determines that such efforts to resolve any Dispute will not result in a mutually satisfactory resolution, such Party may seek judicial relief by filing suit in a court of competent jurisdiction identified in Section 34.E (Governing Law) of this Agreement.

E. **Fulfillment of Duties and Obligations.** Pending resolution of any Dispute, the Parties shall continue to fulfill their respective duties and obligations under this Agreement.

29. **DEFAULT AND REMEDIES**

A. If a Party fails to perform its obligations hereunder ("**Defaulting Party**"), then it shall be in default hereunder unless it cures:

29.A.1. a monetary event of default within thirty (30) days after receiving written notice from the non-defaulting Party of such monetary default; and

29.A.2. a non-monetary event of default within sixty (60) days after receiving a notice of default from the non-defaulting Party; provided, however, that if the nature or extent of the obligation or obligations is such that more than sixty (60) days are required, in the exercise of commercially reasonable diligence, to cure such non-monetary default, then the Defaulting Party shall not be in default if it commences such performance within such sixty (60) day period and thereafter pursues the same to completion with commercially reasonable diligence and within a commercially reasonable timeframe.

B. Except as otherwise provided by the Wholesale Water Regulations, and subject to the procedures set forth in Section 28 (Dispute Resolution), if a Party is in breach or default of its obligations arising under this Agreement, the other Party shall have and shall be entitled to exercise any and all remedies available to it at law or in equity (including the right to terminate this Agreement or to specifically enforce this Agreement), all of which remedies shall be cumulative. If either Party elects to pursue singularly any remedy available to it under this Section 29 (Default and Remedies), then such Party may at any time thereafter continue to pursue or cease pursuing that remedy and alternatively

or simultaneously elect to pursue any other remedy available to it under this Section 29 (Default and Remedies).

30. UNCONTROLLABLE FORCES

A. As provided for in this Section 30 (Uncontrollable Forces), the Parties recognize that Uncontrollable Forces may occur which would require Tacoma to act unilaterally for what it deems to be in the best interest of the general public served by the Tacoma Water System; including but not limited to:

30.A.1. water shortages;

30.A.2. temporary reductions in water supply associated with turbidity or water quality events;

30.A.3. fire, flood, storm, earthquake, lightning, and other natural catastrophes;

30.A.4. acts of public enemies, armed conflicts, acts of foreign enemies, acts of terrorism (whether domestic or foreign, state-sponsored, or otherwise), war (whether declared or undeclared), blockage, insurrection, riot, civil actions or disturbance, revolution, or sabotage;

30.A.5. any form of compulsory Government acquisition or condemnation or change in Applicable Law that affects the performance of the Parties' obligations under this Agreement;

30.A.6. accidents or other casualty, damage, loss, or delay during transportation, explosions, fire, epidemics, quarantines, or criminal acts that affect the performance of the Parties' obligations under this Agreement;

30.A.7. labor disturbances, stoppages, lockouts, strikes, embargoes, or other industrial actions that affect the performance of the Parties' obligations under this Agreement;

30.A.8. inability, after the use of Prudent Utility Practices, to obtain any consent or approval from any Governmental Authority that affects the performance of the Parties' obligations under this Agreement;

30.A.9. inability, after the use of Prudent Utility Practices, to obtain any consent or approval from any Person required by a Party in connection with this Agreement;

30.A.10. third-party litigation contesting all or any portion of the right, title, and interest of a Party in any service, property, or other item to be provided to the other Party in connection with this Agreement.

Notwithstanding the foregoing, the insufficiency of funds, the financial inability to perform or changes in such Party's cost of performing its obligations hereunder shall not constitute an Uncontrollable Force, and neither Party may raise a claim for relief hereunder, in whole or in part, in connection with such event or circumstance. For purposes of this definition, actions by Tacoma, Cascade, or any of Cascade's Members, individually or collectively, shall not be considered an "Uncontrollable Force."

B. Upon the occurrence of an Uncontrollable Force, Tacoma shall, to the extent practicable, treat its wholesale and retail customers equally and any curtailment of supply shall be imposed proportionately among these customers.

C. This authority to act unilaterally carries with it a unilateral responsibility for Tacoma to restore, expeditiously, the Tacoma Water System to its pre-emergency capability to supply the region.

D. Upon occurrence of an Uncontrollable Force that adversely impacts the Cascade Water System, Cascade may request Tacoma to temporarily modify or suspend operational or supply provisions of this Agreement and Tacoma shall make reasonable efforts to accommodate such request. Cascade shall act expeditiously to restore the Cascade Water System to its pre-emergency capability.

E. A Party shall not be in breach of this Agreement as a result of such Party's failure to perform its obligations under this Agreement, when such failure is due to an Uncontrollable Force, to the extent that such Party, despite the exercise of reasonable due diligence, is unable to remove such Uncontrollable Force. Any Party subject to an Uncontrollable Force that may impair its performance under this Agreement shall notify the other Party as soon as practicable. In no event will an Uncontrollable Force discharge Cascade's obligation to pay Tacoma the full amount of the Restated Restructuring Payment in Section 16 (Restated Restructuring Payment).

F. Any Party subject to an Uncontrollable Force shall be excused from performance under this Agreement only for the duration of and to the extent of the Uncontrollable Force. Any Party subject to an Uncontrollable Force shall exercise reasonable due diligence to remove the Uncontrollable Force.

31. PRUDENT UTILITY PRACTICES AND GOOD FAITH

The Parties shall utilize Prudent Utility Practices and act in good faith under this Agreement. In taking actions or making determinations required by or provided for under this Agreement, each Party shall act in fairness and in good faith, cooperate with the other Party, and use Prudent Utility Practices to facilitate the implementation of all aspects of this Agreement. Each Party, upon the request of the other Party, shall execute, deliver, and acknowledge all such further documents and do and perform all such other acts and things as either Party may reasonably request to effectively carry out the intent of this Agreement.

32. NOTICES

Except for routine operational communications, which may be delivered personally or by email, all notices, requests, or other communications required by this Agreement shall be in writing and deemed received by a Party: (a) when delivered in person, (b) when deposited with a reputable overnight courier service, provided that any such notice shall not be deemed received until the next business day after deposit; or (c) by electronic mail if a copy of the notice is also sent by overnight courier, in which case notice shall be deemed received on transmittal by electronic mail before 5:00 p.m. on a business day (otherwise, any notice sent after 5:00 p.m. shall be deemed received on the next business day). All notices must be properly addressed as follows:

Tacoma: Water Superintendent
P.O. Box 11007
Tacoma, WA 98411
Phone: (253) 502-8245
Email: hpenning@cityoftacoma.org

Cascade: Chief Executive Officer
11400 SE 8th St, Suite 400
Bellevue, WA 98004
Phone: (425) 543-0930
Email: rhoffman@cascadewater.org

A Party may change its address for purposes of this Section 32 (Notices) by giving written notice of such change to the other Party in the manner provided in this Section 32 (Notices).

33. ACCESS TO BOOKS AND RECORDS; AUDIT

Upon not less than thirty (30) days' prior notice to the other Party, a Party shall be given reasonable access, during normal business hours, to inspect any books, records, and accounts maintained by the other Party that are specifically kept and related to this Agreement. Such inspection shall occur at the location where such books, records, and accounts are located or another mutually agreed upon location. A Party shall not be obligated to collate, organize, or analyze the information to be inspected by the other Party. A Party requesting such access shall pay the other Party its established rate for any documents reproduced for the requesting Party.

34. MISCELLANEOUS

A. Cascade's and its Members' Responsibilities under the Joint Municipal Utilities Services Agreement.

34.A.1. Joint Municipal Utilities Services Agreement. Under the Joint Municipal Utilities Services Agreement Cascade is a separate municipal corporation formed under the authority of Chapter 39.106 RCW. An individual Member's liability for Cascade's obligations is limited to those specified in the Joint Municipal Utilities Services Agreement. Nothing in this Agreement shall be construed to alter any term of the Joint Municipal Utilities Services Agreement.

34.A.2. Exhibit E. Article 9 (Duration and Dissolution – Withdrawal) of the Joint Municipal Utilities Services Agreement is attached to this Agreement as Exhibit E.

34.A.3. This Agreement is a Water Supply Asset. The Joint Municipal Utilities Services Agreement defines "Water Supply Asset" to mean "tangible and intangible assets usable in connection with the provision of water supply, including without limitation, real property, physical facilities (e.g., dams, wells, treatment plants, pump stations, reservoirs, and transmission lines), water rights, capacity and/or contractual rights in facilities or resources owned by other entities, and investments in conservation programs and facilities." For purposes of Article 9 (Duration and Dissolution – Withdrawal) of the Joint Municipal Utilities Services Agreement, this Agreement is a "Water Supply Asset" or "asset."

34.A.4. Duration. Under Section 9.1 (Duration) of the Joint Municipal Utilities Services Agreement, except upon disincorporation addressed in Section 34.A.6 (Disincorporation) of this Agreement, Cascade shall remain in existence until the longer of the following: (1) it no longer holds any assets, (2) it no longer holds outstanding Bonds, or (3) it no longer includes Members. Therefore, as long as Cascade is a party to this Agreement, which is an asset under the Joint Municipal Utilities Services Agreement, Cascade will remain in existence.

34.A.5. Withdrawal. If during the Term of this Agreement, a Member notifies Cascade of its intent to withdraw from Cascade, Cascade shall apply Section 9.2 (Withdrawals) of the Joint Municipal Utilities Services Agreement, which requires the withdrawing Member to pay its allocable share of the cost of the then-existing obligations of Cascade, including contract obligations, such as this Agreement. The withdrawing Member ceases to have right to, or interest in, any Water Supply Assets, and abandons any and all rights to the use of Cascade Water Supply Assets.

34.A.6. Disincorporation. If during the Term of this Agreement, Cascade Members vote to disincorporate, Cascade's liabilities and obligations under this Agreement shall be distributed

to and binding upon its Members in accordance with Section 9.3 (Disincorporation) of the Joint Municipal Utilities Services Agreement, which states in relevant part: “*Cascade’s liabilities (including Bonds and other contractual obligations) initially shall be distributed based on Members Demand Shares as of the time of the disincorporation.*” During the Term of this Agreement, Cascade shall not amend the Joint Municipal Utilities Services Agreement in any way that would limit, impair, diminish, or materially change Tacoma’s rights arising under this Agreement without Tacoma’s prior written approval, which shall not be unreasonably withheld or delayed.

34.A.7. Default. In the event of a default payment by Cascade, Tacoma shall have the right to enforce this Agreement against Cascade under Section 29 (Default and Remedies) of this Agreement. If Cascade Members are in default, Cascade shall comply with Section 7.8 (Payment procedures – Default – Step-up provisions) of the Joint Municipal Utilities Services Agreement, attached as Exhibit E to this Agreement.

34.A.8. Binding Contract. Cascade’s Board of Directors authorized execution of this Agreement by Dual Majority Vote of all Members pursuant to Section 4.3 (Voting) of the Joint Municipal Utilities Services Agreement at open public meetings on January 22, 2025, by Resolution No. 2025-01, and on February 26, 2025, by Resolution No. 2025-04, and thereby made this Agreement a binding contractual obligation of Cascade under the terms of the Joint Municipal Utilities Services Agreement.

B. **Sale and Assignment**. The Parties acknowledge that during the Term of this Agreement, pursuant to Section 9.4 (Successor entity) of the Joint Municipal Utilities Services Agreement, attached as Exhibit E, the assets, liabilities, and obligations of Cascade may be transferred to a successor entity and all obligations of Cascade Members and parties contracting with Cascade (including this Agreement) become obligations of the successor entity. Notwithstanding the foregoing, the rights and obligations of the Parties arising under this Agreement may not be sold, assigned, or otherwise transferred in whole or in part by a Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Subject to the foregoing, this Agreement shall be binding upon the Parties’ respective successors and assigns.

C. **Offsets Not Allowed**. A Party shall not have the right to offset any amounts owed to the other Party under this Agreement against any amounts due from the other Party under this Agreement, nor may a Party offset any amounts due to the other Party under this Agreement against any amounts owed to the other Party under this Agreement. A Party may not withhold any payment due the other Party by reason of a Dispute; such payment shall be paid “under protest” and any and all Disputes with respect to such payment shall be resolved pursuant to Section 28 (Dispute Resolution).

D. **Waiver.** Any of the terms, conditions, or provisions of this Agreement may be waived at any time and from time to time, in a signed writing, by the Party or Parties entitled to the benefit of such terms or conditions. Any waiver given by a Party shall be narrowly construed to specifically waive, in time and subject, only the express matter contained in such waiver. The failure of either Party to insist on or enforce strict performance of any term, condition, or provision of this Agreement or to exercise any right or remedy under this Agreement or Applicable Law will not be construed as a waiver or relinquishment to any extent of the right to assert or rely upon any such term, condition, provision, right, or remedy in that or any other instance; rather, the same will be and remain in full force and effect. Tacoma's review, revision, approval of, or comment upon any matter arising under this Agreement, or Tacoma's failure to review, revise, approve, or comment upon any matter arising under this Agreement, shall not in any way (i) relieve or release Cascade from any of its obligations arising under this Agreement, or (ii) subject Tacoma to any liability with respect to such matter.

E. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington (regardless of the laws that might otherwise govern under applicable principles of conflict of laws of such state). Except with respect to a lawsuit or judicial action or proceeding commenced by a third party in another jurisdiction and subject to Section 28 (Dispute Resolution), the Parties (i) agree that any lawsuit, judicial action, or proceeding arising out of or relating to this Agreement must be heard in the Superior Court of the State of Washington, in and for the County of Pierce, or the United States District Court for the Western District of Washington in Tacoma; (ii) waive any objection to the laying of venue of any such suit, action, or proceeding; and (iii) irrevocably submit to the jurisdiction of any such court in any such lawsuit, judicial action, or proceeding.

F. **Construction.** Terms defined in a given number, tense, or form (e.g., singular and plural) shall have the corresponding meaning when used in this Agreement with initial capitals in another number, tense, or form (e.g., singular shall be construed as plural and vice versa as necessary to carry out the intent of the Parties). References containing terms such as "hereof," "herein," "hereto," "hereinafter," and other terms of like import are not limited in applicability to the specific provision within which such references are set forth but instead refer to this Agreement taken as a whole. "Includes" or "including" shall not be deemed limited by the specific enumeration of items but shall be deemed without limitation. The term "or" is not exclusive. The headings contained in this Agreement are included solely for the convenience of the Parties. Accounting terms used but not defined herein have the meanings given to them under generally accepted accounting principles in the United States consistently applied throughout the specified period and in the immediately prior comparable period. The term "day" means a calendar day unless otherwise specified as a "business day"; a "business day" means a day, other than a Saturday, Sunday, or Holiday.

G. **Severability.** Any provisions of this Agreement prohibited or rendered unenforceable by Applicable Law shall be ineffective only to the extent of such prohibition or unenforceability without

invalidating the remaining provisions of this Agreement. In such event, the remainder of this Agreement will remain valid and enforceable. Upon such determination that any term or other provision is prohibited or rendered unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to give effect to the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated under this Agreement are fulfilled to the greatest extent possible.

H. **Amendments.** This Agreement may be amended or modified only by a written instrument signed by the Parties that expressly refers to this Agreement and states that it is an amendment hereto. No amendment to or modification of any provision of this Agreement will be valid unless set forth in a written instrument signed by both Parties. If a Party becomes aware of a conflict between this Agreement and any other agreement in place between such Party or its affiliates and any Person, it will promptly notify such other Party, and the Parties will work in good faith to resolve the conflict.

I. **Independence of the Parties.** Nothing contained in this Agreement shall be deemed or construed by the Parties, or by any third party, as creating the relationship of principal and agent, or of partnership or of joint venture, between the Parties. Neither Party shall enter into any contract, agreement, or other commitment, or incur any obligation or liability, in the name of or otherwise on behalf of the other Party. This Agreement shall create no rights, benefits, responsibilities, or obligations in, to, or from any Persons other than Tacoma and Cascade.

J. **Survival.** Sections 16 (Restated Restructuring Payment), 23 (Mutual Release), 26 (Indemnities), 27 (Waiver of Consequential Damages), 28 (Dispute Resolution), 33 (Access to Books and Records; Audit), and 34.A (Cascade's and its Members' Responsibilities under the Joint Municipal Utilities Services Agreement) shall survive the expiration or termination of this Agreement. All other terms and conditions of this Agreement that must be reasonably construed to survive the expiration or termination of this Agreement in order to give full force and effect to the intent of the Parties as set forth herein shall also survive the expiration or termination of this Agreement, regardless of whether such survival is expressly specified herein.

K. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

L. **Interpretation.** This Agreement has been negotiated on an arm's-length basis by the Parties and their respective counsel and shall be interpreted fairly in accordance with its terms and without any strict construction in favor of or against either Party.

M. **Complete Agreement.** This Agreement represents the entire agreement between the Parties concerning the subject matter herein and, upon the Effective Date, supersedes and replaces all other prior agreements and understandings, whether oral or written, between the Parties with respect to the subject matter herein. This Agreement may not be amended or superseded except as provided in Section 34.H (Amendments).

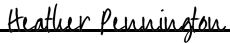
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the Effective Date.

Dated this 20th day of March, 2025.

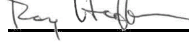
City of Tacoma:

Department of Public Utilities
Water Division

Cascade Water Alliance:

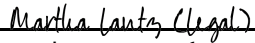
Signed by:


1A96C142A3904D1
Heather Pennington
Water Superintendent

Signed by:


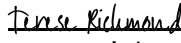
1108F091233C8C2
Ray Hoffman
Chief Executive Officer

Approved as to form:

Signed by:


544E77C13224D1
Martha Lantz (Legal)
Deputy City Attorney

Approved as to form:

Signed by:


9E1A88EFD12710
Terese Richmond
Legal Counsel

LIST OF EXHIBITS

Exhibit A – Definitions

Exhibit B – Schematic of Example Wholesale Connections

Exhibit C – Dispute Resolution Procedures

Exhibit D – Examples of Management Agreement Subjects

Exhibit E – Sections 4.3 (Voting), 7.8 (Payment procedures – Default – Step-up provisions), and Article 9 (Duration and Dissolution – Withdrawal) of the Joint Municipal Utilities Services Agreement

Exhibit F – Tacoma’s Water Rights

Exhibit G – Market-Priced Wholesale Rate Making Methodology

EXHIBIT A

DEFINITIONS

"2005 Water Supply Agreement" means the 2005 *Agreement for the Sale of Wholesale Water*, dated October 13, 2005, which was amended, restated, and superseded in its entirety in 2012.

"2012 Water Supply Agreement" means the 2012 *Amended and Restated Agreement for the Sale of Wholesale Water*, dated December 31, 2012 between Cascade and Tacoma.

"2025 Wholesale Water Supply Agreement" or "2025 Wholesale Agreement" means the accompanying agreement to this Agreement in which Tacoma agrees to provide water to Cascade under a different timeline and pricing structure, dated [_____].

"Actual Consumption" means the amount of water actually delivered as measured and reported by Tacoma to Cascade during the Term of this Agreement. In the event of invalid or unavailable measured volume, a reasonable estimate will be utilized.

"American Water Works Association" or "AWWA" (or its successor organization) means an international non-profit, scientific, and educational association, and the largest organization of water supply professionals in the world, founded to improve water quality and supply.

"Annual Restated Restructuring Payment" means the annual Restated Restructuring Payment due Tacoma from Cascade, in a given year during the Term, in the amount set forth in the Payment Schedule contained in Section 16 (Restated Restructuring Payment).

"Applicable Law" means any applicable and binding statute, law, rule, regulation, code, ordinance, judgment, decree, writ, legal requirement, or order, and the written interpretations thereof, of any national, federal, state, or local Governmental Authority having jurisdiction over the Parties or the performance of this Agreement.

"Average Daily Demand" means the average amount of water delivered to Cascade on an annual basis.

"Capacity Reservation Fee" or "CRF" means a fee meant to acknowledge the opportunity cost incurred by Tacoma to reserve system capacity for Cascade for the period of time that Cascade is not receiving water.

"Cascade" shall have the meaning set forth in the preamble of this Agreement.

"Cascade Claims" shall have the meaning set forth in Section 26 (Indemnities).

“Cascade Hazardous Substance” or “Cascade’s Hazardous Substances” means any Hazardous Substances generated, transported, kept, handled, stored, placed, discharged, or released by Cascade, or by anyone directly or indirectly retained or employed by Cascade, in connection with the performance of this Agreement, except that it shall not include Hazardous Substances determined to be Tacoma’s Hazardous Substances.

“Cascade Indemnitees” means Cascade and Cascade’s directors, officers, employees, agents, servants, elected officials, and representatives, and the respective successors and assigns of each and all of the foregoing.

“Cascade Isolation Valve” means a positive shut-off valve owned and operated by Cascade as part of the Interconnection Facilities.

“Cascade Member” or “Member” means the members of the Cascade Water Alliance. As of the creation of this Agreement there are seven (7) Members: the cities of Bellevue, Issaquah, Kirkland, Redmond, and Tukwila, and special purpose districts Sammamish Plateau Water and Skyway Water & Sewer District.

“Cascade Water System” means the infrastructure that is owned or contracted for use by Cascade to enable water delivery to the Cascade Members, including tangible and intangible assets usable in connection with the provision of water supply, including without limitation, real property, physical facilities (e.g., dams, wells, treatment plants, pump stations, reservoirs, and transmission lines), water rights, capacity, and/or contractual rights in facilities or resources owned by other entities, and investments in conservation programs and facilities.

“Construction Work in Progress” or “CWIP” means Tacoma’s capital investment in facilities under construction, but not yet completed and placed into service.

“Defaulting Party” shall have the meaning set forth in Section 29 (Default and Remedies).

“Dispute” shall have the meaning set forth in Section 28 (Dispute Resolution).

“Draft Operating Plan” means a non-binding informational plan intended to advise Tacoma of the amount of the Market-Priced Wholesale Water Supply that Cascade anticipates it will use during the period starting June 1 each year and ending June 30 the following year during the Term.

“Earned Credit” means the credit (if any) to be applied to the volumetric component of Cascade’s bill for Market Wholesale Service.

“Effective Date” shall have the meaning set forth in the preamble of this Agreement.

“Existing Agreement” shall have the meaning set forth in the Recitals.

“Flow Control Valve” means the valve that controls the volume of water that is delivered to Cascade and is more particularly described in Exhibit B.

“Four Cities Agreement” means the “2010 Lake Tapps Area Water Resources Agreement Among the Cities of Auburn, Bonney Lake, Buckley and Sumner, and Cascade Water Alliance,” dated February 5, 2010.

“Governmental Authority” means (a) any federal, national, state, tribal, county, municipal, or local government (whether domestic or foreign), or any political subdivision thereof; (b) any court or administrative tribunal; (c) any other governmental, quasi-governmental, judicial, public, or statutory instrumentality, authority, body, agency, bureau, or entity of competent jurisdiction; or (d) any nongovernmental agency, tribunal, or entity that is vested by a governmental agency with applicable jurisdiction.

“Gross Earnings Tax on Utilities” means a tax on money, credits, rights, or property imposed on the water utility by the City of Tacoma and expressed in terms of money proceeding or accruing by reason of the transaction of business and includes but is not limited to gross proceeds of sales, compensation for rendition of services, gains realized from interest, rents, royalties, fees, commissions, dividends, and other emoluments, however designated, all without any deduction on account of cost of property sold, materials used, labor, interest, losses, discount, and any other expense whatsoever.

“Hazardous Substances” means any substance or material regulated or governed by Applicable Law; any substance, emission, or material now or hereafter deemed by any Governmental Authority or Applicable Law to be a “regulated substance,” “hazardous material,” “hazardous waste,” “hazardous constituent,” “hazardous substance,” “dangerous material,” “dangerous waste,” “dangerous substance,” “toxic substance,” “radioactive substance,” or a “pesticide”; and any other substance with properties that are harmful or deleterious to human health or to the environment.

“Holiday” means a legal holiday identified in RCW 1.16.050 as revised and amended from time to time.

“Interconnection Facilities” means all facilities, other than the Supply Service Connection, that are necessary for Cascade to access and take delivery of the Market-Priced Water Supply at the Supply Service Connection and to convey such water to Cascade’s transmission and distribution systems. Interconnection Facilities include the Cascade Isolation Valve and such other pressure-reducing valves, power service, storm drainage, vaults, telecommunications service, conduit, controllers, pedestals, and boxes operated by Cascade as part of the Interconnection Facilities. For avoidance of doubt, Interconnection Facilities do not include the Supply Service Connection or any other facilities owned

and operated by Tacoma that are necessary to deliver the Wholesale Water Supply to the Supply Service Connection.

“Joint Municipal Utilities Services Agreement” or “2012 Joint Agreement” means the agreement, dated March 28, 2012, through which the Cascade Members formed Cascade Water Alliance under the authority of Chapter 39.106 RCW as the successor for all purposes to the former Cascade created in 1999 under an Interlocal Contract under Chapter 39.34 RCW.

“Lake Tapps Reservoir” means the White River – Lake Tapps Reservoir Project originally purchased by Cascade from Puget Sound Energy, including land, infrastructure, and water rights.

“Management Agreement” means written supplemental agreements, as set forth in Section 18 (Cooperation; Management Agreements), pertaining to subjects authorized by this Agreement, negotiated, mutually agreed to, and executed by both the Superintendent of Tacoma Water and the Chief Executive Officer of Cascade to implement and administer this Agreement.

“Market-Priced Agreement Annual Cap” shall have the meaning set forth in Section 10.C.2 (Cost Recovery – Payments and Billing).

“Market-Priced Agreement Monthly Cap” shall have the meaning set forth in Section 10.C.2 (Cost Recovery – Payments and Billing).

“Market-Priced Agreement Volumetric Rate” means the rate charged per unit of Actual Consumption apportioned to Market-Priced Wholesale Service as described in Section 10.C (Payments and Billing) of this Agreement. The Market-Priced Agreement Volumetric Rate will be calculated in accordance with Section 10.A (Charges and Ratemaking) and Exhibit G (Market-Priced Wholesale Rate Methodology) of this Agreement.

“Market-Priced Fixed Monthly Charge” means the fixed, monthly charge for Market-Priced Wholesale Service. The Market-Priced Fixed Monthly Charge will be calculated in accordance with Section 10 (Cost Recovery) and Exhibit G (Market-Priced Wholesale Rate Methodology) of this Agreement.

“Market-Priced Rates” refer collectively to the Market-Priced Fixed Monthly Charge and Market-Priced Volumetric Rate.

“Market-Priced Wholesale Water Service” shall have the meaning set forth in Section 8.A (Market-Priced Wholesale Water Service).

“Market-Priced Wholesale Water Supply” shall have the meaning set forth in Section 7.B (Market-Priced Wholesale Service Commitments).

“Meter and Telemetry Equipment” means the delivery metering equipment determined by Tacoma to be necessary for the implementation of this Agreement and the data-acquisition system owned and operated by Tacoma that is used to send signals from the meter in support of operations and all appurtenances thereto.

“Operating Protocols” shall have the meaning set forth in Section 15 (Water Management and Scheduling).

“Party” or “Parties” shall have the meaning set forth in the preamble of this Agreement.

“Payment Schedule” shall have the meaning set forth in Section 16 (Restated Restructuring Payment).

“Person” means any individual, corporation, municipal corporation, company, voluntary association, partnership, incorporated organization, trust, or limited liability company, or any other entity or organization, including any Governmental Authority.

“Pipeline 5” means Tacoma’s northern transmission main that delivers water from Tacoma headworks to the City of Tacoma.

“Prudent Utility Practices” means, at any particular time, any of the practices, methods, decisions, and acts that (a) in the exercise of a Party’s reasonable judgment in light of the facts known at the time, would have been expected to accomplish the desired result consistent with Applicable Law, reliability, efficiency, economy, safety, and expedition commonly engaged in or approved by the water supply industry in the United States prior thereto; and (b) in the case of Tacoma, includes all practices and methods needed to comply with the Wholesale Water Regulations. It is recognized that the term “Prudent Utility Practices” is not intended to be limited to the optimum practices, methods, or acts to the exclusion of all others, but rather refers to a spectrum of possible practices, methods, or acts that could have been expected to accomplish the desired result consistent with Applicable Law, reliability, efficiency, economy, safety, and expedition.

“Ready to Serve Charge” means the fixed monthly charge for Wholesale Water Service as defined in the 2025 Wholesale Water Supply Agreement and is based on Cascade’s peak water allocation of 15 MGD. The Ready to Serve Charge does not apply to the 2025 Market-Priced Agreement.

“Regional Water Supply System” or “RWSS” means a water system consisting of supply and transmission assets jointly owned by Tacoma Water, the City of Kent, Lakehaven Water & Sewer District, and the Covington Water District.

“Restated Restructuring Payment” means a payment due Tacoma from Cascade in accordance with Section 16 (Restated Restructuring Payment), which such amount is, as of the Effective Date, the

amount due and owing Tacoma from Cascade to fairly and reasonably compensate Tacoma ratepayers for regional investments made in reliance on Cascade's full and satisfactory performance of its obligations under the 2005 Water Supply Agreement and the 2012 Water Supply Agreement. The Restated Restructuring Payment is an amount agreed to and determined by the Parties to be reasonably equivalent to, and is in lieu of, the performance of obligations heretofore required of Cascade under Subsection 9.2 of the 2005 Water Supply Agreement.

"Seattle Block Contract" means the 2nd Amended and Restated Declining Block Water Supply Agreement Between the City of Seattle Public Utilities and Cascade Water Alliance, dated July 15, 2013.

"SCADA" means a computer-based supervisory control and data acquisition system used for process monitoring, automation, and real-time data collection.

"Schedule" shall have the meaning set forth in Section 15 (Water Management and Scheduling).

"Supply Service Connections" means a physical connection(s) between water mains of the Parties and is the point of delivery of the Wholesale Water Supply. The Supply Service Connections are more particularly described in Exhibit B and include the Tacoma Isolation Valve and the Flow Control Valve.

"System Development Charge" means the system development charge imposed upon Cascade for the water supply associated with the Wholesale Water Supply Agreement by the Tacoma Municipal Code; it does not apply to the 2025 Market-Priced Agreement.

"Tacoma" shall have the meaning set forth in the preamble of this Agreement.

"Tacoma-Cascade Pipeline Facilities Plan" means the scope of work that will form the basis of design and requirements to construct the facilities necessary to connect the Cascade Water System with the Tacoma Water System for delivery of water to Cascade's service area.

"Tacoma Claims" shall have the meaning set forth in Section 26 (Indemnities).

"Tacoma Hazardous Substance" or "Tacoma's Hazardous Substances" means any Hazardous Substances generated, transported, kept, handled, stored, placed, discharged, or released by Tacoma, or by anyone directly or indirectly retained or employed by Tacoma, in connection with the performance of this Agreement, except that it shall not include Hazardous Substances determined to be Cascade's Hazardous Substances.

"Tacoma Indemnitees" means Tacoma and Tacoma's directors, officers, employees, agents, servants, elected officials, and representatives, and the respective successors and assigns of each and all of the foregoing.

“Tacoma Isolation Valve” means a positive shut-off valve installed at the Supply Service Connection and that is more particularly described in Exhibit B.

“Tacoma Points of Delivery” means the point on Tacoma’s Pipeline 5 where Tacoma’s wholesale service connection to Cascade will be located.

“Tacoma Water System” means infrastructure that is owned by Tacoma to enable water delivery to Tacoma customers, including tangible and intangible assets usable in connection with the provision of water supply, including without limitation, real property, physical facilities (e.g., dams, wells, treatment plants, pump stations, reservoirs, and transmission lines), water rights, capacity, and/or contractual rights in facilities or resources owned by other entities, and investments in conservation programs and facilities.

“Technical Committees” shall have the meaning set forth in Section 19 (Technical Committees).

“Term” shall have the meaning set forth in Section 4 (Term of Agreement).

“Uncontrollable Force” means any event or circumstance (or combination thereof) and the effects of a non-permanent nature of any such event or circumstance (whether or not such event or circumstance was foreseeable or foreseen by the Parties) that delays or prevents performance by a Party of any of its obligations under this Agreement. An Uncontrollable Force shall include but is not limited to the events or circumstances as set forth in Section 30 (Uncontrollable Forces).

“Utility-Basis Approach” means the ratemaking approach generally defined in Section 10.A (Charges and Ratemaking).

“Wholesale Water Regulations” means all applicable terms and conditions of the Tacoma Municipal Code, including Chapters 12.01 and 12.10 thereof, as such terms and conditions may now exist or may hereafter be changed, deleted, supplemented, modified, or amended.

“Wholesale Water Service” shall have the meaning set forth in Section 8.A (Market-Priced Wholesale Water Service).

“Wholesale Winter and Summer Volume Charges” means the rate charged per unit of Actual Consumption apportioned to Wholesale Water Service as described in Section 15 (Payments and Billing) of the 2025 Wholesale Agreement. The Wholesale Winter and Summer Volume Charges are set as described in Section 8 (Wholesale Water Service Charges and Fees) of the 2025 Wholesale Agreement.

EXHIBIT B

SCHEMATIC OF EXAMPLE WHOLESALE CONNECTIONS

The schematic below is provided only as an example; it does not represent pipes or connections specific to this Agreement.

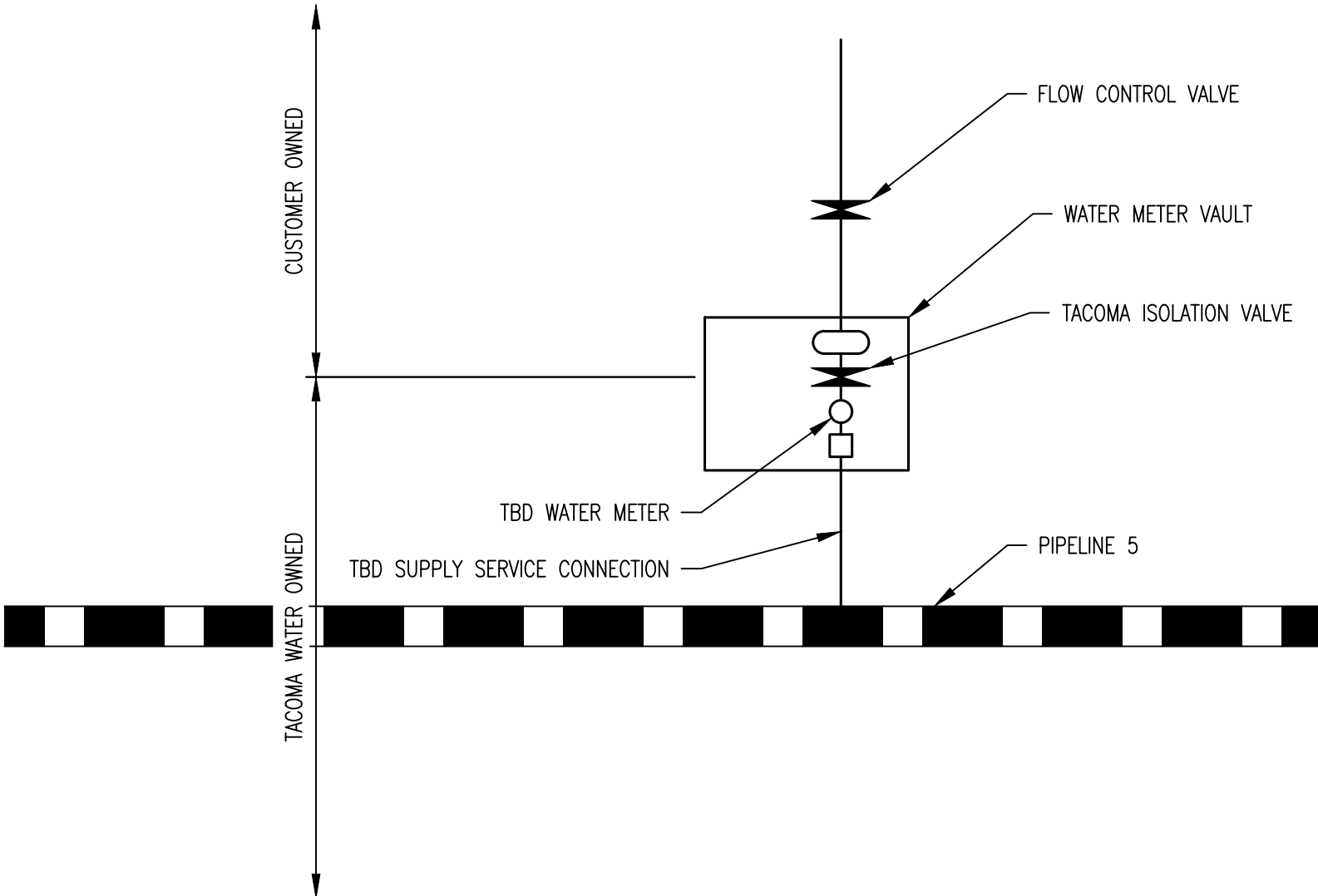


EXHIBIT C

DISPUTE RESOLUTION PROCEDURES

If either Party provides notice under Section 28.D (Dispute Resolution Pursuant to Exhibit C and Judicial Relief) of the Agreement to the other Party initiating the Dispute Resolution process in this Exhibit C, the procedures in this Exhibit C shall govern the resolution of such Dispute, and the Parties agree that such procedures will be used in conjunction with and governed by Chapter 4.48 RCW, Trial Before Referee. If at any time either Party determines that efforts to resolve any Dispute pursuant to the procedures in this Exhibit C will not result in a mutually satisfactory resolution, such Party may seek appropriate relief in a court of competent jurisdiction identified in Section 33.E (Governing Law) of this Agreement, including commencing a lawsuit to resolve such Dispute.

1. Within twenty (20) business days of the date of a notice by either Party under Section 28.D (Dispute Resolution Pursuant to Exhibit C and Judicial Relief) of the Agreement invoking the dispute resolution procedures of this Exhibit C, the Parties shall meet and select an individual to recommend to the court as referee of the dispute resolution process in accordance with RCW 4.48.020. The Parties shall select an individual who is qualified as a juror as provided by statute, is competent as a juror between the Parties, is a duly admitted and practicing attorney, and has experience presiding over civil litigation of contract disputes. The Parties will use the following procedure to select the recommended referee:
 - 1.1 Each Party will make a list of three individuals that are qualified pursuant to Paragraph 1 to serve as referee and exchange such list with the other Party. If the Parties agree upon a person from either list, or if both Parties list the same person, that person will be the recommended referee.
 - 1.2 If the Parties are unable to agree upon a referee after exchanging their respective lists, they will make a joint list setting forth all six candidates from the two lists.
2. Upon the selection of the recommended referee, or the creation of the joint list pursuant to Subparagraph 1.2 of this Exhibit C, the Party that invoked the dispute resolution procedures shall file a complaint, in the superior court of the appropriate county as set forth in Section 34.E (Governing Law) of this Agreement, setting forth the issue(s) in dispute, and the other Party shall file an answer to such complaint. Not later than twenty (20) days after the filing of the answer, the Parties shall jointly file a motion, with the Agreement (including this Exhibit C) attached, with the court requesting an order of reference that:
 - 2.1 Directs that the issue(s) raised by the complaint and answer be resolved pursuant to Chapter 4.48 RCW by reference to a referee;

- 2.2 Appoints, pursuant to RCW 4.48.020, either the recommended referee selected by the Parties pursuant to Subparagraph 1.1 of this Exhibit C, or a single referee from the joint list prepared pursuant to Subparagraph 1.2 of this Exhibit C; and
 - 2.3 Directs the referee to conduct the proceeding in accordance with the procedures set out in Paragraphs 3–9 of this Exhibit C.
3. In accordance with RCW 4.48.060, for any Dispute the Parties agree to resolve pursuant to the procedures in this Exhibit C, the Parties waive their rights to discovery and cross-examination, and direct that the proceeding be conducted in the same manner as a motion for summary judgment as follows:
 - 3.1 The Parties shall present their respective positions by written briefs and affidavits, and without testimonial evidence or cross-examination;
 - 3.2 Oral argument will be conducted before the referee; and
 - 3.3 The burdens of proof and persuasion that pertain in a civil trial shall apply, rather than those that apply to motions for summary judgment.
4. After appointment of the referee, the Parties shall endeavor in good faith to prepare for the referee a joint statement of facts and the questions to be decided in the proceeding. In the absence of an agreed-to joint statement of facts and questions to be decided, each Party may include its own statement of facts and questions to be decided in its initial brief. If the Parties agree to a joint statement of facts and questions to be decided, they shall submit that to the referee within thirty (30) days after appointment of the referee.
5. Within ninety (90) days after the submission of the joint statement of facts and questions to be decided, or within one hundred and twenty (120) days after the appointment of the referee if the Parties cannot agree to a joint submission of facts and questions to be decided, each Party shall submit to the referee a one-page statement of the proposed resolution and/or award it seeks for each issue in dispute, and its initial brief. The statement and initial brief (excluding any attached affidavits or evidentiary documents) shall not exceed fifty (50) 8½" x 11" double-spaced pages with 1½-inch margins, number 12-point typeface. The statement and initial brief shall be filed simultaneously by e-mail and regular mail with the referee and opposing Party.

6. Within thirty (30) days after the date the Parties filed their initial briefs, the Parties shall file their respective reply briefs with the referee and the opposing Party. The reply briefs (excluding any attached affidavits or evidentiary documents) shall not exceed twenty-five (25) 8½" x 11" double-spaced pages with 1½-inch margins, number 12-point typeface. The reply briefs shall be filed simultaneously by e-mail and regular mail with the referee and opposing Party.
7. After the reply briefs have been filed, if the referee deems that additional responses are needed, then the referee may request that the Parties file a supplemental brief only as to those specific matters or questions raised by the referee. Such supplemental briefs, unless otherwise requested and approved by the referee, shall be limited to fifteen (15) 8½" x 11" double-spaced pages with 1½-inch margins, number 12-point typeface, and filed at such time requested by the referee. Any such supplemental briefs shall be filed simultaneously by e-mail and regular mail upon the referee and opposing Party.
8. When all briefs have been filed, the referee will schedule oral argument on the issue(s) in dispute.
9. After the completion of oral argument, the referee will prepare a proposed report in accordance with RCW 4.48.70 and shall provide a copy of the proposed report to the Parties.
10. In accordance with RCW 4.48.110, each Party shall have the right to suggest changes and modifications to the proposed report. The referee will file the final report with the court within twenty (20) days of the completion of the process under RCW 4.48.110.
11. Either Party may move the court to modify or set aside, in whole or in part, the final report of the referee. If the court modifies or sets aside, in whole or in part, the final report of the referee and makes another reference, then this Exhibit C shall also apply to such reference.
12. Each Party shall be responsible for its own costs of the dispute resolution process (including any judicial proceedings), and the Parties shall each pay one-half of the other costs of the dispute resolution proceeding, including the fees of the referee and any mutually agreed-upon experts. The fees of the referee shall be established in accordance with RCW 4.48.100.
13. The Parties may mutually agree on an expert to advise the referee and, if such expert is selected, the schedule set forth in Paragraphs 3–11 of this Exhibit C will be adjusted by the referee in consultation with the Parties to accommodate receipt of the expert's input.

EXHIBIT D

EXAMPLES OF MANAGEMENT AGREEMENT SUBJECTS

These examples are intended to inform as to the subjects and types of Management Agreements as described in Section 18 (Cooperation; Management Agreements), contemplated or reasonably anticipated and do not require or constrain the potential subjects, topics, or purposes as related to effectively executing the terms of the contract.

- 1) Revisions to Exhibits in this Agreement
- 2) Contacts and communications protocols
- 3) Emergency response protocols
- 4) Conservation coordination or cost-sharing
- 5) Changes to delivery points or pressures
- 6) Revisions to allocable cost centers, assets, or expenses
- 7) Revisions to indices used in rate setting
- 8) Shared use (e.g. wheeling) of Tacoma or Cascade facilities
- 9) Allocating consumption between Market-Priced and Wholesale agreements
- 10) Water quality monitoring protocols
- 11) Reimbursement agreements and terms
- 12) Meter and telemetry program updates
- 13) Operation and membership of the Technical Committee
- 14) Shortage management plans and coordination
- 15) Interconnection planning
- 16) Five-year reviews of this Agreement

EXHIBIT E

SECTIONS 4.3 (VOTING), 7.8 (PAYMENT PROCEDURES – DEFAULT – STEP-UP PROVISIONS), AND ARTICLE 9 (DURATION AND DISSOLUTION – WITHDRAWAL) OF THE JOINT MUNICIPAL UTILITIES SERVICES AGREEMENT

4.3 Voting.

All Board actions must be approved by Dual Majority Vote of all Members, except where this Agreement requires either a 65% Dual Majority Vote, as provided in Sections 4.7, 5.5, 7.3, and 7.5; or ratification by the Members' legislative authority, as provided in Sections 9.3 and 9.4 and Article 10. The Board may act by voice votes, as set forth in the ByLaws. Any Member may require a recorded tabulation of votes either before or immediately after a voice vote is taken. Although voting is, in part, based on Weighted Vote, the Members expressly agree that there is only one class of voting membership, and voting occurs within that single class.

Any Member that has been declared to be in default of its obligations under this Agreement by the Board shall lose its right to vote until the Board has declared the default to be cured.

7.8 Payment procedures – Default – Step-up provisions.

A. Invoice and Payment.

1. Cascade shall provide each Member with periodic invoices showing the Member Charges payable by that Member for the billing period and the due date. Invoices shall be provided monthly or on other such periodic schedule as determined by the Board, but no more frequently than monthly nor less frequently than once every six months. The Board will determine a due date for all invoices.

2. Payment of any and all invoices shall be due and payable on or before the due date, and shall be made by wire transfer or such other means as are agreed to by Cascade and the Member. If a treasurer, trustee, fiscal agent or escrow agent is appointed in connection with the issuance of Bonds, Cascade may require, and specify on the invoice, that certain amounts be provided directly to that person or entity, and the Member shall pay those amounts in the manner and to the person so specified.

3. If full payment of any invoice is not received on or before the due date, such payment shall be considered past due and a late payment charge shall accrue for each day that the invoice remains unpaid. The late payment charge shall equal the product of the unpaid amount and an interest rate established by the Board. Late payment charges shall continue to accumulate until the unpaid amount of the invoice and all late payment charges are paid in full. Further, if an invoice or any portion thereof remains unpaid for more than sixty (60) days after the due date, Cascade may pursue any legally available remedy at law or equity for the unpaid amount, including without limitation, specific performance and collection of the late payment charge. Cascade's right to enforce payments in this regard may be assigned to a treasurer, trustee, credit

enhancement provider or other entity. Furthermore, upon written notice, Cascade may reduce or suspend delivery of water until the invoice and late payment charges are paid.

4. If any Member disputes all or any portion of an invoice, it shall notify Cascade immediately upon receipt. If Cascade does not concur, the Member shall remit payment of the invoice in full, accompanied by written notice to Cascade indicating the portions of the invoice that the Member disputes and the reasons for the dispute. The Member and Cascade shall make a good faith effort to resolve such dispute. If the Member fails to remit payment of the invoice in full pending resolution of the dispute, the prevailing party in an action relating to the collection of that invoice shall be entitled to reasonable attorney fees and costs.

B. Default and Step-Up.

1. If any Member fails to make any payment in full for more than fifty (50) days past the due date, Cascade shall make written demand upon that Member to make payment in full within ten (10) days of the date that the written demand is sent by Cascade. If the failure to pay is not cured within the ten (10) day period, the Member shall be deemed to be in default.

2. Upon an event of default as described in subsection (B)(1) of this section, the other Members shall pay Cascade (in addition to Member Charges otherwise due) the defaulting Member's Member Charges in proportion to each remaining Members' Demand Share in accordance with a schedule established by Resolution of the Board.

3. The payment of a proportionate share of the existing defaulted Member's Member Charges by Members shall not relieve the defaulting Member of its liability for those payments. Cascade shall have a right of recovery from the defaulting Member on behalf of each Member. Cascade may commence such suits, actions or proceedings at law or in equity, including but not limited to, suits for specific performance, as may be necessary or appropriate to enforce the obligations of this Agreement against any defaulting Member. Cascade's right to enforce payments in this regard may be assigned to a treasurer, trustee, credit enhancement provider or other entity. Amounts recovered by Cascade as payment of amounts due shall be passed through to each Member in proportion to the share that each assumed, in cash or in credit, against future Member Charges as the Board shall determine.

4. The prevailing party in any such suit, action or proceeding, shall be entitled to recover its reasonable attorney fees and costs.

Article 9. Duration and Dissolution – Withdrawal

9.1 Duration.

Except as provided in Section 9.3, Cascade shall remain in existence for the longer of the following: (a) the period it holds any assets; (b) the period during which Bonds are outstanding; or (c) the period it continues to include Members. [Res. 2012-06 § 1; Res. 2004-18 § 1. Formerly 10.1].

9.2 Withdrawals.

A Member may notify Cascade of its intent to withdraw by delivery to Cascade of a Resolution of its legislative authority expressing such intent. Upon receipt of such Resolution, the Member shall lose its right to vote and the Board shall determine (a) the withdrawing Member's allocable share of the cost of the then-existing obligations of Cascade; and (b) the withdrawing Member's obligations to Cascade. "Then-existing obligations of Cascade" means obligations or costs incurred by Cascade as of the date the Member's withdrawal notice is received, including but not limited to, Bond obligations, contract obligations, and cash financed capital projects; provided that a withdrawing Member's allocable share shall in no event include an obligation for future expenses for which Cascade has not incurred a legal obligation; and provided further, that to the extent the Member's obligation (with respect to such costs) is re-paid over time, the Member shall be entitled to a credit for supply abandoned by the Member and is otherwise used by Cascade. A "withdrawing Member's obligation to Cascade" includes but is not limited to, the Member's share of fixed operating costs, any other expenses contained in Cascade's adopted budget for that year, and any assessments or other similar charges lawfully imposed by Cascade. For purposes of the preceding sentence, "fixed operating costs" shall be determined in the year of withdrawal, and the Member's obligation with respect to such costs shall be limited only to that amount required to pay for supply abandoned by the Member and not otherwise used by Cascade.

The allocable share of cost or obligations shall be determined by the Board, taking into consideration as deemed applicable by the Board: (a) the ratio of the Member's Demand Share to total Member demand; (b) the ratio of the Member's contribution to Cascade revenue to total Cascade revenue including RCFCs; (c) the cost or a portion of the cost of capital projects or facilities specially benefiting the Member; and (d) and any other factor the Board deems appropriate to consider. The Member's withdrawal shall be effective on payment of such allocable share or provision for arrangements to pay such allocable share that are satisfactory to the Board. Until the effective date of withdrawal, the Member shall continue to comply with all applicable provisions of this Agreement.

Upon withdrawal, except as provided in an Asset Transfer Agreement, the withdrawing Member shall have no right to, or interest in any Water Supply Assets owned by Cascade. The withdrawing Member shall be deemed to have abandoned any and all rights to service, to the use of Cascade Water Supply Assets or other rights with respect to Cascade (except as otherwise expressly provided in this Agreement).

Notwithstanding the provisions of this Section 9.2, Cascade will, upon the withdrawal of a Member that has transferred operational control and management of (but not title to) an Independent Supply Asset to Cascade under Section 5.1, return operational control of such asset to the withdrawing Member. Return of operational control and management will be subject to: (a) continued use by Cascade, to the extent and for such time as the Board deems such use necessary for Cascade to continue providing service to its Members; and (b) payment or provision for payment of any Cascade costs, including but not limited to, those associated with the withdrawing Member's Independent Supply Asset.

The Board may establish additional generally applicable conditions and requirements for withdrawal. [Res. 2012-06 § 1; Res. 2004-18 § 1. Formerly 10.2].

9.3 Disincorporation.

Cascade may vote by a 65% Dual Majority Vote (as ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities), to disincorporate. Upon disincorporation except as provided in an Asset Transfer Agreement, Cascade's assets initially shall be held by its then current Members as tenants in common. Each Member's ownership interest must be based on that Member's Demand Share as of the time of the dissolution. Cascade's liabilities (including Bonds and other contractual obligations) initially shall be distributed based on Members Demand Shares as of the time of the disincorporation. Assets and liabilities must be distributed in accordance with agreement or contract, under a voluntary mediation process, or by a court of law. A court may appoint an arbitrator or special master. Distribution shall be based on the best interests of efficient and economic water supply in the entire area served by the Members, subject to a rebuttable presumption that Water Supply Assets will be returned to the Member that originally transferred them to Cascade. That presumption may be overcome by a showing that another asset distribution is in the best interests of efficient and economic water supply. The proceeds of any sale of assets must be distributed among the then current Members based on the Demand Shares at the time of disincorporation. [Res. 2012-06 § 1; Res. 2004-18 § 1. Formerly 10.3].

9.4 Successor entity.

Notwithstanding the provisions of Section 9.3, upon a 65% Dual Majority Vote of the Board (as ratified within one hundred and twenty (120) days of such Dual Majority Vote by 65% Dual Majority of the Members' legislative authorities), all assets, liabilities, and obligations of Cascade may be transferred to any successor entity (including without limitation, a joint operating agency or other municipal corporation, as permitted under state law), and all obligations of Members and parties contracting with Cascade become obligations to the successor entity.

EXHIBIT F
TACOMA'S WATER RIGHTS

1ST DIVERSION WATER RIGHT



STATE OF WASHINGTON
DEPARTMENT OF WATER RESOURCES
DIVISION OF WATER MANAGEMENT

WATER RIGHT CLAIM

RECEIVED
DEPARTMENT OF ECOLOGY

JAN 25 71003155

CASH OTHER FILE

WATER DIVISION
DEPARTMENT OF PUBLIC UTILITIES
CITY OF TACOMA

1. NAME _____

ADDRESS POST OFFICE BOX 11807
TACOMA, WASHINGTON 98411
ZIP CODE

2. SOURCE FROM WHICH THE RIGHT TO TAKE AND MAKE USE OF WATER IS CLAIMED: SURFACE WATER
(SURFACE OR GROUND WATER)

W.R.I.A. 09
(LEAVE BLANK)

A. IF GROUND WATER, THE SOURCE IS _____

B. IF SURFACE WATER, THE SOURCE IS GREEN RIVER, A TRIBUTARY OF THE DUMMISH RIVER

3. THE QUANTITIES OF WATER AND TIMES OF USE CLAIMED:

A. QUANTITY OF WATER CLAIMED 400 (SEE ENCLOSURE) PRESENTLY USED 113
(CUBIC FEET PER SECOND OR GALLONS PER MINUTE)

B. ANNUAL QUANTITY CLAIMED 289,600 PRESENTLY USED 81,800
(ACRE FEET PER YEAR)

C. IF FOR IRRIGATION ACRES CLAIMED _____ PRESENTLY IRRIGATED _____

D. TIME(S) DURING EACH YEAR WHEN WATER IS USED JANUARY 1 TO DECEMBER 31

4. DATE OF FIRST PUTTING WATER TO USE _____ MONTH MAY YEAR 1913

LOCATION OF THE POINT(S) OF DIVERSION, WITHDRAWAL 400 FEET NORTH AND
1,600 FEET EAST FROM THE SOUTHWEST CORNER OF SECTION 28

BEING WITHIN SE 1/4 OF SW 1/4 OF SECTION 18 T. 21 N. R. 8 (E. OF W.) W.M.
1/4

IF THIS IS WITHIN THE LIMITS OF A RECORDED PLATTED PROPERTY LOT _____ BLOCK _____ OF

KING COUNTY, WASHINGTON

NAME AND PLAT OF ADJACENT

LEGAL DESCRIPTION OF LANDS ON WHICH THE WATER IS USED. THE WATER IS USED EXCLUSIVELY WITHIN THE
CORPORATE LIMITS OF THE CITY OF TACOMA AND SUBSTANTIAL AMOUNTS ARE ALSO USED IN BOTH SOUTH
KING COUNTY AND PIERCE COUNTY.

7. PURPOSE(S) FOR WHICH WATER IS USED COUNTY
GENERAL MUNICIPAL DOMESTIC, FIRE, COMMERCIAL AND MANUFACTURING PURPOSES SERVING 173,500 PERSONS.

8. THE LEGAL DOCTRINE(S) UPON WHICH THE RIGHT OF CLAIM IS BASED: SEE ENCLOSURE (PRIOR, RIPARIAN
AND APPROPRIATION).

DO NOT USE THIS SPACE FOR ANY OTHER INFORMATION
THE FILING OF THIS CLAIM DOES NOT CONSTITUTE AN AFFIDAVIT OF ANY KIND TO THE DEPARTMENT OF WATER RESOURCES. THE FILING OF THIS CLAIM DOES NOT CONSTITUTE AN AFFIDAVIT OF ANY KIND TO THE DEPARTMENT OF WATER RESOURCES. THE FILING OF THIS CLAIM DOES NOT CONSTITUTE AN AFFIDAVIT OF ANY KIND TO THE DEPARTMENT OF WATER RESOURCES.

I HEREBY CERTIFY THAT THE ABOVE INFORMATION IS TRUE AND ACCURATE TO THE BEST OF MY KNOWLEDGE AND BELIEF.
X
R. J. BARNETT, DEPARTMENT OF PUBLIC UTILITIES
DATE: JANUARY 13, 1971
CLAIM FILED BY DESIGNATED REPRESENTATIVE. SEND TO THE PUBLIC NAME AND ADDRESS OF AGENT BELOW.
CITY OF TACOMA
DEPARTMENT OF PUBLIC UTILITIES
WATER DIVISION
POST OFFICE BOX 11807
TACOMA, WASHINGTON 98411
ANY OF THIS INFORMATION IS AVAILABLE

RETURN ALL THREE COPIES WITH CARBONS SEPARATELY TO:
DEPARTMENT OF WATER RESOURCES
DIVISION OF WATER MANAGEMENT
UNION AVE. BUILDING, OLYMPIA, WASHINGTON 98501

ORIGINAL

GREEN RIVER WATER RIGHTS

The City of Tacoma claims all rights that are legally applicable to the water of the Green River. These claimed rights include, but are not limited to, a vested right, a riparian right, and numerous appropriated rights to the water of the Green River.

VESTED RIGHTS

The City of Tacoma first served notice on February 8, 1906, under the 1891 Water Code that it was appropriating water from its present diversion dam location on the Green River. Mr. Frank Davis, City Engineer, posted two notices that met the 1891 statutory requirements, each for 100 cfs, which were filed in the King County Auditor's Office under Fee No. 376191 in Volume 1, Page 312 and Fee No. 376192 in Volume 1, Page 313. Identical notices were again posted July 22, 1908, in the same King County and thereafter filed under Fee Nos. 560603 and 560604 in Volume 1, Pages 473 and 474, on July 23, 1908. Each of the filings were for 100 cfs, totaling 400 cfs, which were thus appropriated by said actions. These notices specifically state that the points of diversion would take place in Section 18, Township 21 North, Range 8 East, W. M. which is the present location of the City's Diversion Dam. Copies of these filings are attached.

Formal construction of the Green River Gravity System was begun in 1910. Water at the rate of 30.9 cfs was delivered to the City on May 8, 1913. Since completion of the original construction, this system has been orderly expanded to the present capacity of 113 cfs commensurate with the water needs of the City of Tacoma and its service area, thus establishing a vested right to the water of the Green River.

A second major pipeline from the Green River will be required to meet expected water demands between the years 1980 to 2000. This pipeline is scheduled to have a design capacity of about 115 cfs. In the year 2000, the City of Tacoma will probably be serving water to a very large service area in both King County and Pierce County. Water demands beyond the year 2000 will require additional expansion of the City's water utility system commensurate with needs similar to the orderly and timely development of the past. A third major pipeline from the Green River (with a design capacity of about 100 to 150 cfs) will be required about the year 2000.

In summary, the City of Tacoma, for and on behalf of its Department of Public Utilities, Water Division, claims a vested right to 400 cfs from the Green River because the water has been legally appropriated, the Green River water supply system has been utilized continuously and orderly expanded since completion of original construction and the system will be orderly expanded to an ultimate capacity approaching 400 cfs.

Two reports prepared by the City of Tacoma Water Division are submitted to support the claim for 400 cfs of water. They are:

"A Comprehensive Water Supply Study and Plan for Pierce County and Vicinity" and

"Planning Tacoma's Water Needs, 1970 - 2000."

RIPARIAN RIGHTS

In further support of the "vested rights" referred to hereinabove, the City of Tacoma claims riparian rights to 400 cfs of the water of the Green River for its municipal water supply system described and referred to under "vested rights" hereinabove, beginning with the first purchase of land at the diversion dam on August 19, 1910. The Water Division owns lands bordering the Green River in a continuous strip for a distance of approximately twenty-six river miles above and connecting with the City's diversion dam. This ownership is shown on the attached drawing entitled "Green River Watershed Map."

APPROPRIATED RIGHTS

In further support of the claims for 400 cfs for the purposes stated under "vested and riparian rights" hereinabove, the public records on water rights reflect the following appropriated rights perfected by the City of Tacoma under the then existing State laws. These claims are listed below in chronological order.

- | | | |
|----------------------|----------|---|
| 1. August 8, 1905 | 80 cfs | Sec. 10, T21N, R7E, W.M.
Vol. 1, Page 243
King County Water Rights |
| 2. August 8, 1905 | 80 cfs | Sec. 22, T20N, R10E, W.M.
Vol. 1, Page 246
King County Water Rights |
| 3. August 19, 1905 | 80 cfs | Sec. 12, T21N, R7E, W.M.
Vol. 1, Page 284
King County Water Rights |
| 4. August 19, 1905 | 80 cfs | Sec. 9, T21N, R7E, W.M.
Vol. 1, Page 249
King County Water Rights |
| 5. February 8, 1906 | 100 cfs* | Sec. 18, T21N, R8E, W.M.
Fee No. 376191, Vol. 1, Page 312
King County Water Rights |
| 6. February 8, 1906 | 100 cfs* | Sec. 18, T21N, R8E, W.M.
Fee No. 376192, Vol. 1, Page 313
King County Water Rights |
| 7. July 23, 1908 | 100 cfs* | Sec. 18, T21N, R8E, W.M.
Fee No. 560603, Vol. 1, Page 473
King County Water Rights |
| 8. July 23, 1908 | 100 cfs* | Sec. 18, T21N, R8E, W.M.
Fee No. 560604, Vol. 1, Page 474
King County Water Rights |
| 9. February 7, 1933 | 100 cfs* | Sec. 18, T21N, R8E, W.M.
Application No. 3787, 1917 Water
Code (Pending Application) |
| 10. February 3, 1956 | 50 cfs* | Sec. 18, T21N, R8E, W.M.
Application No. 13735, 1917 Water
Code (Pending Application) |
| 11. August 24, 1970 | 90 MGD* | Sec. 15 and 22, T21N, R8E, W.M. 6469 P
Application No. 11177, Ground
Water, North Fork of Green River
Area (Pending application) |

* These surface water rights and the pending application for ground water will be utilized for the ultimate development of the total Green River water supply system.

NOTICE OF APPROPRIATION OF WATER FOR CITY PURPOSES AND
SUPPLYING THE INHABITANTS THEREOF WITH WATER.

NOTICE IS HEREBY GIVEN, That I, Frank L. Davis, City Engineer
of the City of Tacoma, a citizen of the United States, over the age
of twenty-one years and a resident of Tacoma, Pierce County, Washing-
ton, for and on behalf of the said City of Tacoma claim the water
in, to and of a certain stream, lying, being and flowing through
Section No. 18, Township 21 North, of Range 8 East of
the W.M., known as the Green River, to the extent of 100 cubic feet
per second of time of the natural flow of the waters of said river,
the same being in King County, Washington.

Said water is appropriated and claimed by the said Frank L.
Davis to be used at, in and near the City of Tacoma for the purpose
of supplying said City of Tacoma and the inhabitants thereof with
water for general, municipal, domestic, fire, commercial and manufactur-
ing purposes and said water will be used at and in the vicinity of
the City of Tacoma in Pierce County, Washington. Said Frank L. Davis
for said City of Tacoma, desires to and will divert the water of
said stream at a point in the South West 1/4
of said Section 18
the amount herein claimed, and the said diversion will be made by
means of conduits, ditches, flumes, pipe lines, boxes and tunnels
for the purpose of conveying said amount of water, so to be diverted
from the point of intake on said tract of land above described, to
the City of Tacoma for the uses and purposes as above set forth.

This notice is posted on the land near the proposed point
intake and filed in the office of the County Auditor of King County,
Washington, as required by law, in behalf of and for the use and
benefit of said City of Tacoma.

Posted July 27 1908.

Frank L. Davis
City Engineer of the City of
Tacoma.

NOTICE OF APPROPRIATION OF WATER FOR CITY PURPOSES AND
SUPPLYING THE INHABITANTS THEREOF WITH WATER.

NOTICE IS HEREBY GIVEN, That I, Frank L. Davis, a citizen of
the United States, over the age of twenty-one years and a resident
of Tacoma, Pierce County, Washington, claim the water in, and of a
tributary stream, lying, being and flowing through Section No. 18
Township 21 North of Range 8, East of the W.M.,
known as the Green River, to the extent of 100 cubic feet per
second of time of the natural flow of the waters of said river, the
same being in King County, Washington.

Said water is appropriated and claimed by the said Frank L.
Davis to be used, in and near the City of Tacoma for the purpose
of supplying said City of Tacoma and the inhabitants thereof with
water for general, municipal, domestic, fire, commercial and
manufacturing purposes and said water will be used at and in the
vicinity of the City of Tacoma in Pierce County, Washington.
Said Frank L. Davis desires to and will divert the waters of said
stream at a point in the South West 1/4
of said Section 18 to the amount
herein claimed, and the said diversion will be made by means of
conduits, ditches, flumes, pipe lines, boxes and tunnels for the
purpose of conveying said amount of water, so to be diverted from
the point of intake on said tract of land above described, to the
City of Tacoma for the uses and purposes as above set forth.

This notice is posted on the land near the proposed point of
intake and filed in the office of the County Auditor of King County,
Washington, as required by law, in behalf of and for the use and
benefit of said Frank L. Davis.

Posted July 22, 1908.

Frank L. Davis

NOTICE OF APPROPRIATION OF WATER FOR CITY PURPOSES
AND SUPPLYING THE INHABITANTS
THEREOF WITH WATER.

Notice is hereby given that the City of Tacoma, a municipal corporation of the first class, of the State of Washington, by Frank L. Davis its duly appointed, qualified and acting City Engineer, claims the water in, to and of a certain stream lying, being and flowing through Section 18, Township 21 North, Range 8 East of the W.M., known as Green River, to the extent of one hundred (100) cubic feet per second of time of the natural flow of the waters of said river, the same being in King County, Washington.

Said water is appropriated and claimed by the said City of Tacoma to be used at, in and near the City of Tacoma for the purpose of supplying said City of Tacoma and the inhabitants thereof with water for general, municipal, domestic, fire, commercial and manufacturing purposes and said water will be used at and in the vicinity of the City of Tacoma, in Pierce County, Washington. Said City of Tacoma desires to and will divert the waters of said stream at a point in the southeast quarter of the south^W quarter of said Section 18, to the amount herein claimed, and the said diversion will be made by means of dams, conduits, ditches, pipe lines, boxes and tunnels for the purpose of conveying said amount of water, so to be diverted from the point of intake on said tract of land above described, to the City of Tacoma for the uses as above set forth.

This notice is posted on the land near the proposed point of intake and filed in the office of the County Auditor of King County, Washington, as required by law in behalf of and for the use and benefit of said City of Tacoma.

The City of Tacoma
By *Frank L. Davis*
City Engineer

10 30 AM
Posted this 8th day of February, 1906.

NOTICE OF APPROPRIATION OF WATER FOR CITY PURPOSES
AND SUPPLYING THE INHABITANTS
THEREOF WITH WATER

Notice is hereby given that I, Frank L. Davis, a citizen of the United States over the age of 21 years and a resident of Tacoma, Pierce County, Washington, claim the water in, to and of a certain stream lying, being and flowing through Section 18, Township 21 North, Range 8 East of the W.M., known as Green River, to the extent of one hundred (100) cubic feet per second of the natural flow of the waters of said river, the same being in King County, Washington.

Said water is appropriated and claimed by the said Frank L. Davis to be used at, in and near the City of Tacoma for the purpose of supplying said City of Tacoma and the inhabitants thereof with water for general, municipal, domestic, fire, commercial and manufacturing purposes and said water will be used at and in the vicinity of the City of Tacoma, in Pierce County, Washington. Said Frank L. Davis desires to and will divert the waters of said stream at a point in the southeast quarter of the southeast quarter of said Section 18, to the amount herein claimed, and the said diversion will be made by means of dams, conduits, ditches, pipe lines, boxes and tunnels for the purpose of conveying said amount of water, so to be diverted from the point of intake on said tract of land above described, to the City of Tacoma for the uses as above set forth.

This notice is posted on the land near the proposed point of intake and filed in the office of the County Auditor of King County, Washington, as required by law in behalf of and for the use and benefit of said Frank L. Davis.

Frank L. Davis

Posted this 8th day of February, A.D., 1906.

2ND DIVERSION WATER RIGHT

PERMIT

TO APPROPRIATE PUBLIC WATERS OF THE STATE OF WASHINGTON

- Surface Water** (Issued in accordance with the provisions of Chapter 117, Laws of Washington for 1917, and amendments thereto, and the rules and regulations of the Department of Ecology.)
- Ground Water** (Issued in accordance with the provisions of Chapter 263, Laws of Washington for 1945, and amendments thereto, and the rules and regulations of the Department of Ecology.)

PRIORITY DATE	APPLICATION NUMBER	PERMIT NUMBER	CERTIFICATE NUMBER
February 7, 1933	3787	S1-00726P	

NAME

CITY OF TACOMA, WATER DIVISION, DEPARTMENT OF PUBLIC UTILITIES

ADDRESS - STREET	CITY	STATE	ZIP CODE
P. O. Box 11007	Tacoma	Washington	98411

The applicant is, pursuant to the Report of Examination which has been accepted by the applicant, hereby granted a permit to appropriate the following described public waters of the State of Washington, subject to existing rights and to the limitations and provisions set out herein.

PUBLIC WATER TO BE APPROPRIATED

SOURCE

Green River

TRIBUTARY OF (IF SURFACE WATERS)

Duwamish River

MAXIMUM CUBIC FEET PER SECOND	MAXIMUM GALLONS PER MINUTE	MAXIMUM ACRE-FEET PER YEAR
100		72397

QUANTITY, TYPE OF USE, PERIOD OF USE

Municipal and Industrial Supply - throughout the year when available (interruptible supply)

LOCATION OF DIVERSION/WITHDRAWAL

APPROXIMATE LOCATION OF DIVERSION-WITHDRAWAL

1100 feet west and 400 feet north of the SE corner of Sec. 18

LOCATED WITHIN (SMALLEST LEGAL SUBDIVISION)	SECTION	TOWNSHIP N.	RANGE, (E. OR W.) W.M.	W.R.L.A.	COUNTY
<u>S1-S4</u>	18	21	8E	9	King

RECORDED PLATTED PROPERTY

LOT	BLOCK	OF (GIVE NAME OF PLAT OR ADDITION)

LEGAL DESCRIPTION OF PROPERTY ON WHICH WATER IS TO BE USED

Area served by City of Tacoma (by direct service or interlocal agreement).

DESCRIPTION OF PROPOSED WORKS

Division dam, intake structure, 10 mg tank, transmission line, treatment facilities and on-line storage reservoirs.

DEVELOPMENT SCHEDULE

IF PROJECT BY THIS DATE:	COMPLETE PROJECT BY THIS DATE:	WATER PUT TO FULL USE BY THIS DATE:
Started	December 8, 1991	December 8, 2006

PROVISIONS

This authorization is subject to the provisions of Chapter 173-509 WAC as adopted in Olympia, Washington, June 5, 1980, and the general rules of the Department of Ecology as specified under Chapter 173-500 WAC, and others.

Recognitions of instream flows as established at monitoring station 12.1067.00 at river mile 60.4, Sec. 13, T.21N., R.7EWM and as presented in the table below shall be a condition of this diversion as set forth in said WAC 173-509-030.

Instream flow hydrographs, page 5, in the document entitled "Water Resources Management Program in the Green-Duwamish River Basin", dated June 1980, shall be used for definition of instream flows on those days not specifically identified in WAC 173-509-030.

No diversion of water, under this permit or certificate, shall take place when the flow of the river falls below the normal year flows listed below. Except, however, when a critical year is declared by the Director under the provision of WAC 173-509-030, diversion shall cease when flow in the river falls below the following critical year flows.

NORMAL YEAR

Month	Day	Instream Flow (cfs)	Month	Day	Instream Flow (cfs)
April	15	300	August	1	150
May	1	300	August	15	150
May	15	300	September	1	150
June	1	300	September	15	150
June	15	300	October	1	190
July	1	300	October	15	240
July	15	150	November	1	300
			April	1	300

CRITICAL YEAR

Month	Day	Instream Flow (cfs)	Month	Day	Instream Flow (cfs)
April	15	300	August	15	150
May	1	300	September	1	150
May	15	300	September	15	150
June	1	300	October	1	150
June	15	210	October	15	150
July	1	150	November	1	190
July	15	150	November	15	240
August	1	150	December	1	300
			April	1	300

This permit shall be subject to cancellation should the permittee fail to comply with the above development schedule and/or fail to give notice to the Department of Ecology on forms provided by that Department documenting such compliance.

Given under my hand and the seal of this office at Redmond, Washington, this 8 day of December, 19 86

Department of Ecology

by Nancy Ellison
Nancy Ellison, Regional Manager

GENERATING DATA
OK PLB

The City of Tacoma, at its own expense, shall enter into an agreement with the U.S. Geological Survey for installation and maintenance of a suitable and accurate stream gaging station on the Green River in the vicinity of River Mile 61. The purpose of this gaging station will be to accurately measure and record the flows passing the City of Tacoma diversion dam. The gage shall be telemetered with stage and discharge data reported to and accessible from the Columbia River Hydrometeorological Monitoring System (CRHMS). Discharge data recorded at this station will be used to determine City of Tacoma compliance with WAC 173-509-030. Therefore, if the final gaging station selected by the USGS and Tacoma is sufficiently removed from existing station 12.1067 to result (in the opinion of WDOE) in the need for a correlation between the existing and new station, both stations shall be supported by the City of Tacoma for a sufficient period of time to accomplish this correlation. Should a correlation take place which alters the instream flow values at the new station, the City of Tacoma diversion authorized through this application will be subject to the new values (this condition is intended only to correct any errors of measurement that may now be occurring at station 12.1067). The final measuring system proposed by the City of Tacoma shall be approved by the WDOE and installed prior to any diversion under this authorization.

The City of Tacoma shall notify the Department of Ecology, Northwest Regional Office when the flows of the Green River approach the instream flow as established by WAC 173-500, and advise the Department of Ecology of actions taken to modify their diversion to comply with conditions of the regulations.

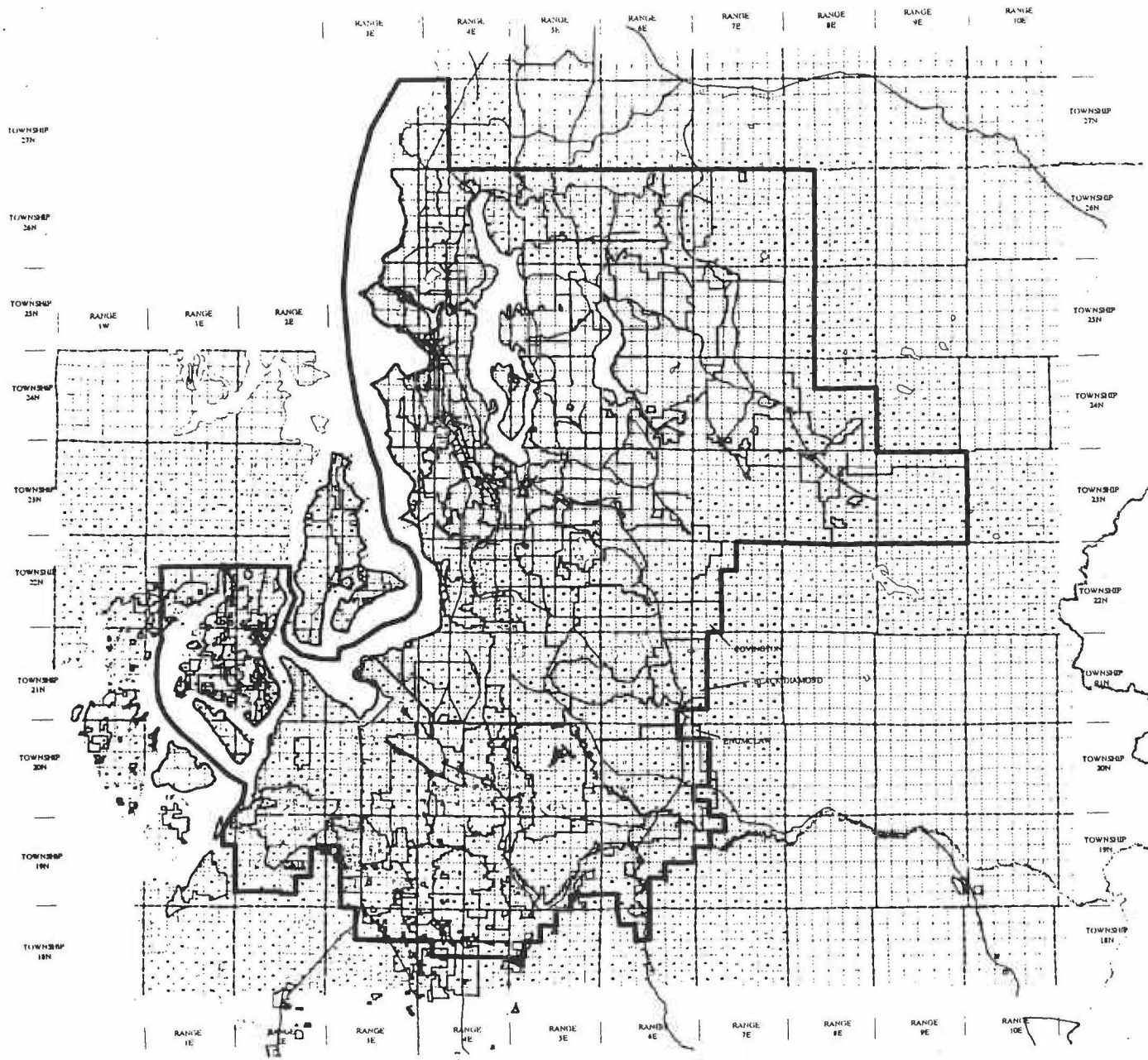
A suitable measuring method shall be in place on pipeline (5) to measure the rate of diversion.

In compliance with the order correcting judgment nunc pro tunc pursuant to CR60(a) and authorizing filing of stipulation nunc pro tunc entered on June 25, 1986, under Thurston County Cause No. 83-2-01104-1, this authorization is also subject to the following items and conditions:

1. Water in the Green-Duwamish River Basin placed there for fish conservation purposes from storage behind Howard Hanson Dam, as operated now or in the future, shall not be subject to appropriation under this permit.
2. Continuous stream gaging, through instrumentation and a program approved by DOE, shall be conducted by the City of Tacoma. An instantaneous monitoring system shall be installed in order that both the City of Tacoma and DOE shall be apprised at all times of stream flows.
3. A suitable measuring method shall be in place on Pipeline Nos. 1 and 5 to measure the rate of diversion. Both Pipelines Nos. 1 and 5 shall have equipment to "throttle-back" the quantity of water diverted.
4. No declaration of a critical period or of over-riding considerations of public interest shall be made by the Director of DOE with respect to diversions under this permit until, in addition to satisfying the conditions of WAC 173-509-030(2), the City of Tacoma demonstrates that it has carried out all provisions of a pre-established drought contingency plan submitted to and approved by DOE. The Department of Ecology will consult with the Departments of Fisheries and Game before approving any drought contingency plan submitted by the City of Tacoma.
5. Insufficiency of ground water supplies shall not be grounds for a declaration of a critical period or of over-riding considerations of public interest by the Director of DOE with respect to diversions under this permit until, in addition to satisfying the conditions of WAC 173-509-030(2), the City of Tacoma demonstrates that it has made a plan and actively pursued development of alternative and supplemental water sources.
6. The perfection period for development of a right under this permit shall be 20 years, subject to extensions.
7. This permit is subject to Chapter 173-509 WAC and that stipulation and judgment as filed in Thurston County Cause No. 83-2-01104-1.

If there is any redundancy or contradiction between the unnumbered provision (taken from the Report of Examination dated August 19, 1981) and the provisions numbered 1. through 7. (additional stipulated provisions), the provisions numbered 1. through 7. shall prevail.

PLACE OF USE



- LEGEND**
- COUNTY BOUNDARY
 - SEATTLE PUBLIC UTILITIES & TACOMA UTILITIES SUPPLY AREA
 - WATER SERVICE AREA BOUNDARY (KING CO. AND PIERCE CO.)

The Seattle & Tacoma Supply System Place of Use Boundary Map is based on the 1980 Seattle Comprehensive Regional Water Plan (See Exhibit) and the 1980 Tacoma Water System Plan (Figure 1-1). The actual alignment was developed by agreement with the Department of Ecology in April, 2001 to coincide with the adjacent township and range location to accommodate specific boundary descriptions. The boundary incorporates the Black Diamond service area based on the January 15, 1970 easement agreement between the town of Black Diamond and the City of Tacoma.

EXHIBIT 1

Seattle & Tacoma Supply System Combined
Water Rights Place of Use Map

May 2001


 ECONOMIC AND ENGINEERING SERVICES, INC.

EXHIBIT G

MARKET PRICED WHOLESAL RATE METHODOLOGY



TACOMA WATER

**Market-Priced Wholesale
Water Rate Analysis for
Cascade Water Alliance**

Submitted by:

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Submitted to:

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February 2025

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1.0 Introduction

In planning for its long-term water supply needs, Cascade Water Alliance (Cascade) approached Tacoma Water (Tacoma) with the interest of acquiring water supply capacity by 2040. Cascade has requested a capacity commitment of 24.0 million gallons per day (mgd) on average, with a peak capacity commitment of up to 32.5 mgd. Recognizing that significant capital investments would be needed to deliver Tacoma water to Cascade, both parties agreed that negotiating the terms of a supply contract well in advance of the anticipated delivery date would be in their collective interest. Tacoma and Cascade engaged FCS, a Bowman Company (FCS) as a neutral third party to develop a methodology of pricing wholesale water supply from Tacoma based on industry ratemaking practices. The American Water Works Association (AWWA) specifies two ratemaking approaches:

- Most commonly used by municipal utilities for ratemaking, the **cash-needs approach** involves defining a utility's annual revenue requirement based on its cash needs including operating expenses, debt service, rate-funded contributions to capital projects, and other policy-based needs such as funding reserves. Tacoma uses this approach to set utility rates for most of its customers, and Cascade uses it to set charges for its member agencies.
- Though used most often by investor-owned utilities, the **utility-basis approach** provides an alternative rate-setting methodology for municipal utilities. It is often used for setting rates for wholesale or special contract customers because it can be tailored to reflect the specific level and character of service provided and explicitly defines and provides a return on utility investment committed to such service. In defining the annual revenue requirement, it typically includes operating expenses, depreciation, and a return on the assets used to provide service.

Ongoing discussions between the parties have led to the development of a hybrid pricing model.

- **Permanent Capacity:** Cascade has requested a permanent capacity commitment of 15.0 mgd peak, with an anticipated average-day demand of 12.0 mgd. Under the terms of the Wholesale Water Supply Agreement, Cascade will pay a system development charge (SDC) to Tacoma to receive a commitment on par with what Tacoma provides to its other wholesale customers. Tacoma currently prices retail and wholesale rates using a cash-needs approach and will price water sold to Cascade under this agreement in a consistent manner.
- **Temporary Capacity:** Cascade has requested a temporary capacity commitment of 12.0 mgd average, 17.5 mgd peak that will be governed by a separate Market-Priced Wholesale Water Supply Agreement. Cascade will not have to pay an SDC for this capacity commitment but will "rent" it for the term of this Agreement at a cost determined using the utility-basis ratemaking approach.

This report focuses primarily on documenting the methodology that Tacoma will use to set rates for water that Cascade will purchase under the Market-Priced Wholesale Water Supply Agreement. By setting the Market-Priced rates based solely on the temporary capacity commitment (and excluding the temporary capacity commitment from the determination of charges for the permanent capacity commitment), the proposed methodology avoids double charging Cascade for the assets used and costs incurred to provide service.

2.0 Methodology

The methodology for calculating the market-priced wholesale water rate is described in further detail below. The tables and calculations shown reflect an example test year of 2023, which would be used to set the charges applicable between January 1, 2025 and December 31, 2025.

A. Define & Allocate Assets Providing Service

A core element of the market-priced wholesale rate methodology involves defining which components of its water system Tacoma would use to serve Cascade and then allocating a share of those components to Cascade based on its capacity needs. The infrastructure that would deliver water from Tacoma to Cascade is separable into several functional categories, each of which is discussed further below. Assets to be included in the rate base can be broadly assigned among four general groups:

- **Assets Providing No Regional Supply Function:** Assets such as hydrants or meters that provide no regional supply function are not allocated in any part to Cascade.
- **Assets Partially Providing a Regional Supply Function:** Some assets serve both regional supply functions and other functions that are not allocable to Cascade – for example, the McMillin Reservoir System largely operates as part of the regional supply system but also supports fire suppression services in Tacoma’s retail system. In such cases, an engineering determination is used to allocate the asset(s) in question between allocable and non-allocable functions. Cascade is then allocated a share of the portion assigned to regional supply functions based on its share of capacity.
- **Assets Fully Supporting the Regional Supply System:** Assets such as the Green River Filtration Facility are entirely related to providing water and are entirely allocable to Cascade based on its share of capacity, as described below.

- **Directly Charged Assets:** Some assets such as the Supply Service Connection and Meter for Cascade’s service, which exclusively serve Cascade, may be directly charged to Cascade rather than being allocated to the rate base.

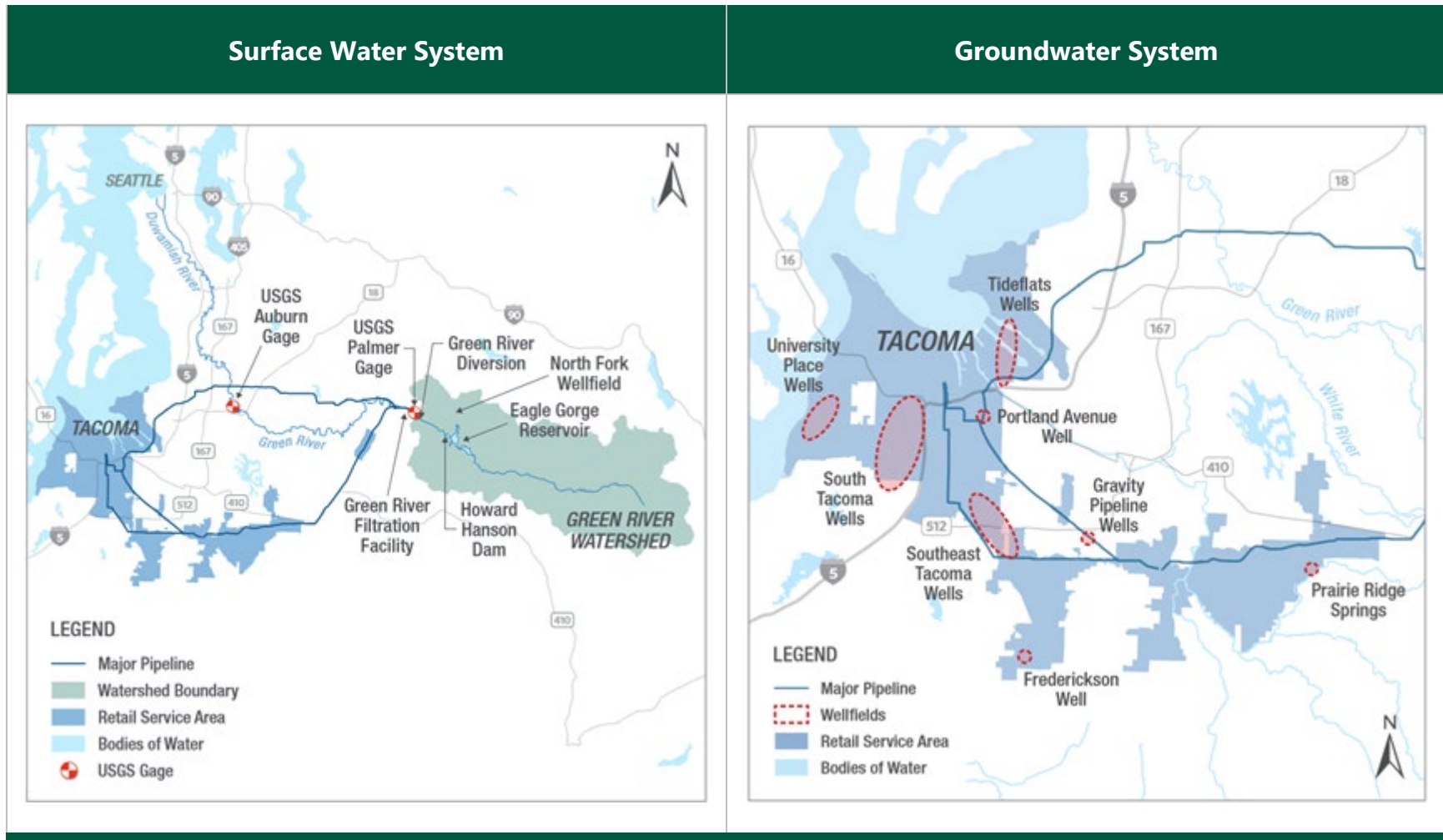
Supply & Treatment

Summarized below in **Exhibit 1**, Tacoma owns and operates a network of surface water and groundwater sources to meet the water demands of its customers. Tacoma obtains most of its drinking water from the Green River Watershed through a surface water supply system that includes the following infrastructure:

- **Howard Hanson Dam and Eagle Gorge Reservoir:** Originally constructed to provide flood control for the Green River Valley, Howard Hanson Dam also augments in-stream flows in the Green River downstream of the dam during the summer and provides a source of supply for municipal use.
- **Green River Diversion Dam and Intake:** Tacoma’s water supply is diverted from the Green River about 3 miles downstream of the Howard Hanson Dam.
- **North Fork Wellfield:** Groundwater from the North Fork Wellfield is conveyed through the North Fork Pipeline to the North Fork Tank, where it flows through a blending system and is treated.
- **Green River Filtration Facility (GRFF):** The GRFF treats water from the Green River Diversion Dam and the North Fork Wellfield. Tacoma has the flexibility to draw water from either or both sources for treatment, depending on turbidity levels in the Green River and other operational considerations.

Most of Tacoma’s water comes from the Green River under a 1912 claim known as the First Diversion Water Right, which can supply up to 113 cubic feet per second (cfs) or 73.0 mgd subject to minimum stream flow requirements. The Second Diversion Water Right makes an additional 100 cfs (64.6 mgd) available but is limited by instream flow requirements. The Second Diversion Water Right is the source of supply for the Regional Water Supply System (RWSS) and is shared by the Second Supply Partners including Tacoma with a 15/36 Participant Share and the City of Kent, Covington Water District, and Lakehaven Water and Sewer District each with a 7/36 Participant Share. Section 4.5.2 of Tacoma’s 2018 Water System Plan (WSP) indicates that Tacoma’s firm yield is 107 mgd on average; estimates from Tacoma staff attribute 85.6 mgd of this firm yield to the surface water system. Section 5.1.4 of the 2018 WSP establishes a peak capacity of 150 mgd for the GRFF, assuming that it is operated as a direct filtration plant.

Exhibit 1. Tacoma Water Supply System



Source: Tacoma Water Integrated Resource Plan (2018), Figures 1.1 – 1.2.

Tacoma's groundwater production wells typically produce around 11% of the total water that Tacoma supplies, usually during the late summer and early fall when customer demands are relatively high and much of the stored surface water has been depleted. The wells also serve as a backup source of supply when Tacoma's surface water source is inadequate to fully meet demands or must be taken offline temporarily for operational reasons. Tacoma's groundwater sources are separable into a series of wellfields, including:

- **South Tacoma Wellfield:** The South Tacoma Wellfield is Tacoma's largest wellfield and the source of the majority of the groundwater that Tacoma draws from its aquifers. Its capacity typically declines in the late summer. The Wells Pipeline delivers water from this wellfield to the South Tacoma Pump Station or the Hood Street Reservoir.
- **Gravity Pipeline Wellfield:** The wells in the Gravity Pipeline Wellfield pump directly into Pipeline 4. Due to the high pumping costs associated with their operation, these wells are used primarily for peaking purposes or as an alternate source of supply.
- **University Place Wellfield:** The University Place wellfield has two wells, one of which is used seasonally and the other of which is for emergency use only.
- **Portland Avenue Well:** The Portland Avenue Well feeds directly into the Portland Avenue Reservoir.
- **Southeast Tacoma Wellfield:** The five wells in the Southeast Tacoma Wellfield pump directly into the distribution system.
- **Prairie Ridge Springs:** The Prairie Ridge system consists of a gallery that captures spring water, chlorinates it, and pumps it to a pair of steel tanks for use in the Prairie Ridge Pressure Zone. Tacoma rarely uses this system, but it remains available in the event that Pipeline 1 were to become unavailable.
- **Tideflats Wellfield:** The Tideflats wellfield consists of two artesian wells that are not currently in service. One well is high in ammonia and is reserved for emergency use only; the other does not have a pump installed.
- **Frederickson Well:** The Frederickson Well does not have a pump installed and is not currently in service.

Tacoma treats its groundwater through a variety of methods to meet all federal and state drinking water standards. While Tacoma's groundwater supply is generally quite reliable, it comes with incremental pumping costs that are not required to deliver surface water. Tacoma staff have

estimated a firm yield averaging 21.4 mgd and a peak capacity of 25.0 mgd for its groundwater sources.

While Cascade’s connection will be physically limited as to which sources it can receive, all supply, treatment, and supply transmission assets are included in the basis for ratemaking. Recognizing that all supplies ultimately contribute to the reliability and availability of the capacity being committed to Cascade, the Parties have agreed to use a “whole system” pricing model that allocates costs to Cascade based on its share of the total system.

Exhibit 2 summarizes the allocation of supply and treatment infrastructure costs to Cascade. Given that Tacoma’s supply system is sized to meet peak demands, the allocation of capital costs related to supply and treatment infrastructure to Cascade is based on its share of Tacoma’s peak supply capacity. Considering the ongoing operation of Tacoma’s water system, only a portion of Tacoma’s supply and treatment operating expenses vary with the size and scale of the water system – other costs instead vary with the total amount of water delivered. For this reason, supply-related operating costs are allocated to Cascade based on its weighted-average share of average and peak capacity.

Exhibit 2. Allocation of Supply and Treatment Infrastructure Costs

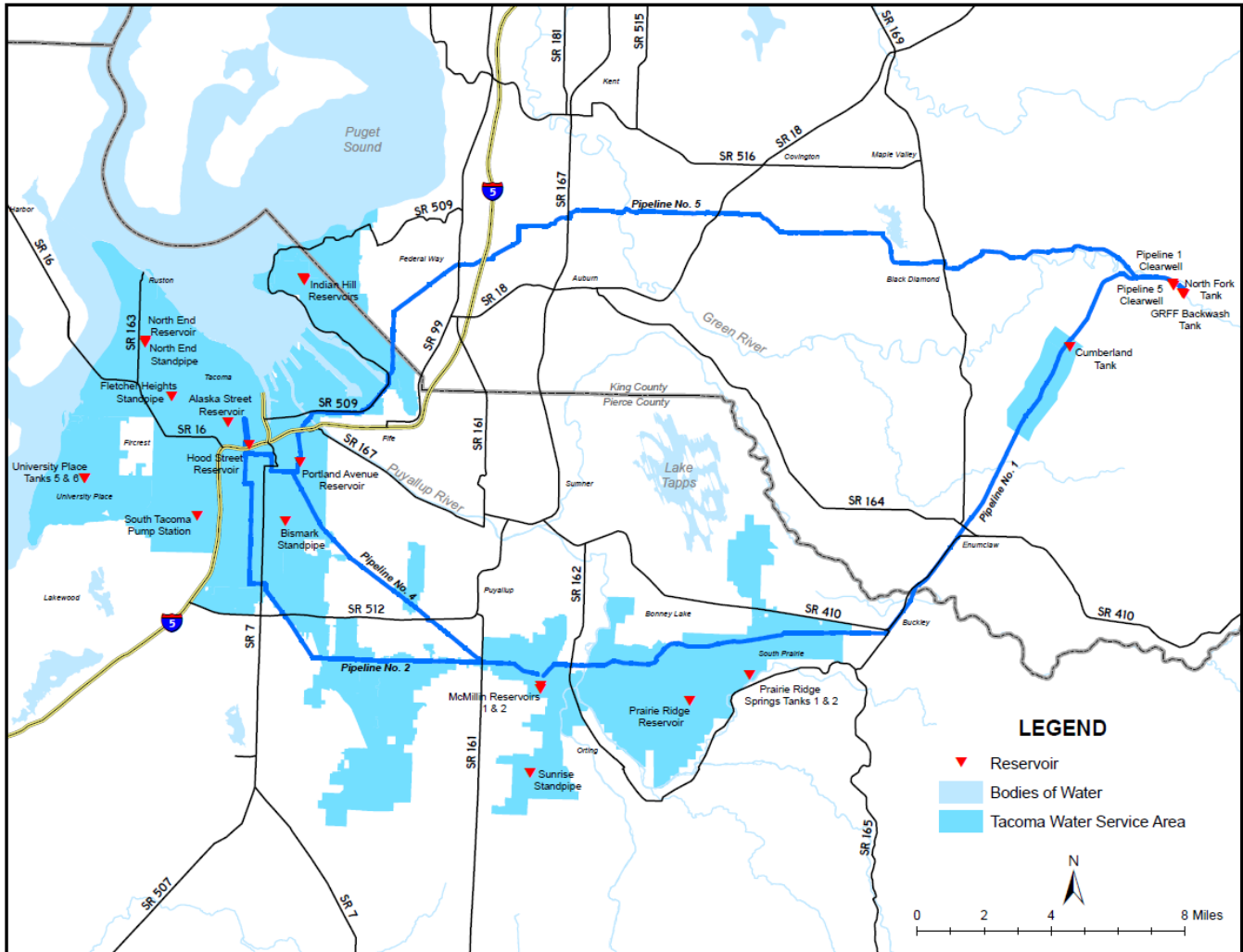
	Total	Notes
Average Supply Capacity		
Surface Water		
First Diversion Water Right (FDWR)	45.41 mgd	85.6 mgd × FDWR share (113 / 213 cfs)
Second Diversion Water Right (SDWR)	40.19 mgd	85.6 mgd × SDWR share (100 / 213 cfs)
Groundwater	21.40 mgd	
Total Firm Yield	107.00 mgd	
Less: RWSS Partner Share of SDWR	(23.44 mgd)	40.19 mgd × 21/36 RWSS Partner Share
Net Firm Yield	83.56 mgd	
Average-Day Capacity Commitment to Cascade	12.00 mgd	Capacity Under Market-Priced Contract
Cascade Share of Average Supply Capacity	14.361%	
Peak Supply Capacity		
Surface Water (GRFF)	150.00 mgd	
Less: RWSS Partner Share of Surface Water Capacity	(41.08 mgd)	21/36 of SDWR share (100/213 cfs)
Groundwater	25.00 mgd	
Total	133.92 mgd	
Peak-Day Capacity Commitment to Cascade	17.50 mgd	Capacity Under Market-Priced Contract
Cascade Share of Peak Supply Capacity	13.067%	
Average-Day Capacity as a Percent of Peak-Day Capacity	62.393%	83.56 mgd out of 133.92 mgd
% of Peak Capacity Attributable to Incremental Peaking	37.607%	Remaining 50.36 mgd / 133.92 mgd
Weighted Allocation of Supply/Treatment Costs to Cascade	13.875%	62.393% × 14.361% + 37.607% × 13.067%

Storage

Tacoma's water system includes a series of reservoirs, tanks, and standpipes that together provide the storage capacity needed to meet peak demands, provide for emergency supply, and support the delivery of water for fire suppression. The facilities that will benefit Cascade are located primarily in the McMillin Gravity Zone and include the Alaska Street, Bismark, Fletcher Heights, Hood Street, McMillin, North End (Reservoir and Standpipe), Portland Avenue, South Tacoma, and University Place storage facilities. Together, these facilities have a combined storage capacity of 118.51 million gallons (MG). Table 6-6 of the 2018 Water System Plan indicates that of this volume, 22.40 MG is attributable to fire-suppression storage that is not allocable to Cascade because it is not requesting fire-suppression services from Tacoma. It is worth noting that the allocation of storage capacity to Cascade includes a proportionate share of costs associated with dead storage, recognizing that it serves a function in the routine operations of the storage facilities and is an alternative to higher construction costs that would otherwise have been allocated to Cascade. Recognizing that these storage facilities in the McMillin Gravity Zone will primarily benefit Cascade as part of Tacoma's supply transmission system, Cascade's share of these facilities is based on its share of supply/treatment costs (12.082% per **Exhibit 2**).

Exhibit 3 summarizes the allocation of Tacoma's storage facilities to Cascade.

Exhibit 3. Allocation of Storage Facilities



	Total	Notes
Total McMillin Gravity Zone Storage Capacity	118.51 MG	
Less: McMillin Gravity Zone Fire Suppression Storage Capacity	(22.40 MG)	Per Table 6-6 of 2018 WSP
Net Storage Capacity Allocable to Cascade	96.11 MG	
Allocation of Peak Supply/Treatment Capacity to Cascade	13.067%	Per Exhibit 2
Storage Capacity Allocated to Cascade	12.56 MG	$96.11 \text{ MG} \times 13.067\% = 12.56 \text{ MG}$
Total Storage Capacity of Tacoma System	135.16 MG	
Cascade Share of Storage Capacity in Tacoma System	9.292%	$12.56 \text{ MG} / 135.16 \text{ MG} = 9.292\%$

Pumping

Given that Tacoma’s pump stations serve as part of both the regional supply system and Tacoma’s local distribution system, they are allocated between the two functions. Cascade is allocated a share of the supply component based on its share of peak supply and treatment capacity (13.067% per **Exhibit 2**). Cascade is not allocated costs associated with the distribution component. **Exhibit 4**

summarizes the allocation of Tacoma’s pump stations to the regional supply system and then to Cascade.

Exhibit 4. Allocation of Pumping Facilities

Pump Station	Capacity	Allocation to Regional System	Share Allocable to Cascade
Alaska Street	7.20 mgd	0.000%	0.000%
Alder Lane	0.04 mgd	0.000%	0.000%
Cumberland	0.50 mgd	0.000%	0.000%
Fennel Creek	2.40 mgd	0.000%	0.000%
Frederickson	0.20 mgd	0.000%	0.000%
Highland	1.50 mgd	0.000%	0.000%
Hood Street	15.00 mgd	0.000%	0.000%
Indian Hill #1	2.30 mgd	0.000%	0.000%
Indian Hill #2	1.80 mgd	0.000%	0.000%
Marine View Drive	9.10 mgd	0.000%	0.000%
McMillin #1	2.80 mgd	0.000%	0.000%
McMillin #2	7.10 mgd	0.000%	0.000%
Mildred Street	1.40 mgd	0.000%	0.000%
North End	11.20 mgd	0.000%	0.000%
Palmer	0.05 mgd	0.000%	0.000%
Prairie Ridge	3.30 mgd	0.000%	0.000%
Prairie Ridge Springs	2.00 mgd	0.000%	0.000%
South Tacoma	17.00 mgd	0.000%	0.000%
128 th & Canyon	1.10 mgd	0.000%	0.000%
62 nd Avenue East	0.80 mgd	0.000%	0.000%
North 21 st & Pearl	3.20 mgd	0.000%	0.000%
83 rd Avenue West & Cirque Drive	0.90 mgd	0.000%	0.000%
214 th Avenue East	8.60 mgd	0.000%	0.000%
198 th Avenue East	3.50 mgd	0.000%	0.000%
356 th Street	5.80 mgd	0.000%	0.000%
80 th Avenue East & 132 nd Lane East	0.10 mgd	0.000%	0.000%
Pipeline 1 Finished Water Pump Station	73.00 mgd	100.000%	13.067%
Total	181.89 mgd		

Because Section 5.6.3 of Tacoma’s WSP indicated that most of these pump stations are part of the distribution system, only the Pipeline 1 Finished Water Pump Station is allocated to the regional supply system. This allocation may be adjusted in the future if Tacoma adds pump stations to assist in its delivery of water to Cascade.

Transmission

Tacoma's 2018 WSP identifies 142 miles of large-diameter transmission mains that convey water from the Green River and production well sites to the retail distribution system, wholesale customers, and RWSS partners. Recognizing their purpose of conveying supply, Cascade is allocated a share of these costs based on its allocation of peak supply and treatment capacity (13.067% per **Exhibit 2**). Though no adjustments have been made to the existing inventory of transmission assets given the information currently available, the Parties have agreed that Cascade will not be allocated transmission assets that exclusively serve other customers and do not provide at least an indirect benefit (e.g. system redundancy/reliability) to Cascade.

Distribution

The 2018 WSP indicates that Tacoma's retail distribution system consists of roughly 1,250 miles of distribution mains. Cascade is not allocated a share of costs associated with distribution mains.

Hydrants

Given that the service requested by Cascade does not include fire suppression, it is not allocated costs related to Tacoma's hydrants.

Meters & Services

Cascade is not allocated costs attributable to the meters and service lines that serve Tacoma's other retail and wholesale customers. Cascade will be responsible for the cost of the master meter(s) installed at its point(s) of connection to the Tacoma system, but these will be recovered as direct costs, rather than as part of an allocated rate methodology discussed in this report.

Multi-Function Assets

Assets which serve multiple water system functions, such as a pump station which maintains hydraulic gradient for regional supply while also meeting retail distribution system peak demands, will be allocated through a two-step process. The asset will first be allocated to the regional supply function based on an engineering determination; the portion assigned to the regional supply function will then be allocated to Cascade based on Cascade's proportional share of the regional supply capacity.

General

Water system assets that are not specifically attributable to one of the categories listed above (such as general land, administrative facilities specifically attributable to Tacoma Water, vehicles, and equipment) are first allocated between the regional supply system and the local distribution system

based on the assets assigned to each function. Cascade is then allocated a share of the portion attributed to supply based on its allocation of other regional supply system assets (Cascade is not allocated a share of the portion assigned to distribution). Given that Tacoma tracks assets for the RWSS (Fund 4600-RWSS) separately from the rest of its water system (Fund 4600), the allocation of general system facilities in each fund is based on the allocation of the other assets in that fund.

For the purpose of allocating assets to Cascade and computing an annual return on those assets, the cost basis includes construction work in progress (CWIP) in addition to the booked cost of existing facilities currently in service. The balance of CWIP as of the end of the preceding year is allocated by project to the functional asset categories described above.

Exhibit 5 summarizes the allocation of fixed asset costs to Cascade, showing Cascade being allocated approximately \$38.4 million of the assets in Fund 4600 and \$18.8 million of Tacoma's share of the assets in Fund 4600-RWSS, for a combined total of \$57.2 million. This allocation represents 4.375% of the combined \$1.3 billion in assets included in Funds 4600 and 4600-RWSS.

Exhibit 5. Allocation of Tacoma Water System Assets

	Original Cost as of 12/31/23	Original Cost of Assets Included in Regional System	Share Allocable to Tacoma ¹	Tacoma Share of Regional System Original Cost	Basis for Allocation to Cascade	Share Allocable to Cascade	Cascade Share
Fund 4600 Assets:							
Supply/Treatment	\$192,559,971	\$192,559,971	100.000%	\$192,559,971	Supply Capacity (Peak)	13.067%	\$25,162,745
Storage	37,484,851	37,377,226	100.000%	37,377,226	Storage Capacity	9.292%	3,472,928
Transmission	55,773,877	55,773,877	100.000%	55,773,877	Supply Capacity (Peak)	13.067%	7,288,243
Pumping (Supply)	-	-	100.000%	-	Supply Capacity (Peak)	13.067%	-
Pumping (Distribution)	13,786,024	-	100.000%	-	Not Allocated	0.000%	-
Distribution	417,410,930	-	100.000%	-	Not Allocated	0.000%	-
Hydrants	43,326,774	-	100.000%	-	Not Allocated	0.000%	-
Meters & Services	138,034,371	-	100.000%	-	Not Allocated	0.000%	-
General (Supply)	19,910,187	19,910,187	100.000%	19,910,187	Other 4600 Supply Assets	12.574%	2,503,410
General (Distribution)	42,694,492	-	100.000%	-	Not Allocated	0.000%	-
Total	\$960,981,479	\$305,621,261	100.000%	\$305,621,261		3.999%	\$38,427,326
Fund 4600-RWSS Assets:							
Supply/Treatment	\$200,907,711	\$200,907,711	41.667%	\$ 83,711,546	Supply Capacity (Peak)	13.067%	\$10,938,993
Storage	-	-	41.667%	-	Storage Capacity	9.292%	-
Transmission	142,581,130	142,581,130	41.667%	59,408,804	Supply Capacity (Peak)	13.067%	7,763,236
Pumping (Supply)	-	-	41.667%	-	Supply Capacity (Peak)	13.067%	-
Pumping (Distribution)	60,470	-	41.667%	-	Not Allocated	0.000%	-
Distribution	1,191,390	-	41.667%	-	Not Allocated	0.000%	-
Hydrants	24,000	-	41.667%	-	Not Allocated	0.000%	-
Meters & Services	244,232	-	41.667%	-	Not Allocated	0.000%	-
General (Supply)	793,336	793,336	100.000%	330,557	4600-RWSS Supply Assets	13.067%	43,195
General (Distribution)	3,511	-	100.000%	-	Not Allocated	0.000%	-
Total	\$345,805,780	\$344,282,178	41.667%	\$143,450,907		13.067%	\$18,745,425
Grand Total	\$1,306,787,259	\$649,903,439		\$449,072,169			\$57,172,751

¹Tacoma is allocated 41.667% (15/36) of the assets in Fund 4600-RWSS; the other 58.333% (21/36) is dedicated to the RWSS partners.

B. Calculate Net Rate Base

The “rate base” is the value of property on which a utility is allowed to earn a return, generally defined as the utility’s investment in system infrastructure (as defined by the original cost of plant in service, excluding assets that were funded by grants or donated by third parties) net of accumulated depreciation. The rate base includes construction work in progress, which is allocated to functional categories based on the underlying project costs. For this calculation, Tacoma’s capital asset inventory (which it uses for its annual financial reporting) serves as the initial and primary basis for estimating the rate base. As Tacoma adds assets, liquidates them (at a loss or gain), or removes them from service (in-place retirement), it keeps its asset inventory current on an annual basis to ensure with a reasonable degree of certainty that the stated costs (and the rate base, as a result) are associated with assets that are in service (“used and useful”) in accordance with standard accounting practices.

The net rate base includes an allowance for working capital to recognize that Cascade benefits from Tacoma Water’s existing cash reserves, which protect Tacoma (and by proxy, its ability to serve Cascade) from financial disruption due to normal variability in the timing and amount of operating revenues and expenses. The allowance for working capital is set at 60 days of operation and maintenance expenses; it is determined separately for Fund 4600 and Fund 4600-RWSS and allocated among the asset categories in each fund based on the allocation of the underlying operating expenses.

- Supply, Treatment, and Transmission Operation and Maintenance: Allocated between supply/treatment and transmission based on the total original cost of assets in each category (shown in **Exhibit 5**)
- Distribution Operation and Maintenance: Fully allocated to distribution.
- Asset Maintenance, Planning, and Engineering Operation and Maintenance: Allocated among functions based on the total original cost of assets in each category (shown in **Exhibit 5**).
- Other Operating Expenses: Allocated among functions based on the allocation of direct operation and maintenance expenses to the categories described above.

The net rate base only includes the portion of the working capital allowance that is attributable to assets included in the regional system. It would not include, for example, 60 days of operating expenses attributable to the distribution system and other facilities that are not allocable to Cascade.

Exhibit 6 summarizes the calculation of the net rate base allocable to Cascade, showing an allocation of \$33.5 million to Cascade, which represents its share of the assets that will provide service as part of the Market-Priced Wholesale Water Supply Agreement.

Exhibit 6. Calculation and Allocation of Net Rate Base

	Original Cost of Regional System as of 12/31/23 (per Exhibit 5)	Less: Contributed Regional System Assets	Less: Accumulated Depreciation On Utility-Funded Assets	Plus: CWIP Allocable to Regional System	Net Cost Allocable to Regional System as of 12/31/23	Allowance for Working Capital ¹	Net Rate Base
Fund 4600 Assets:							
Supply/Treatment	\$192,559,971	(\$22,842,878)	(\$54,530,140)	\$2,120,554	\$117,307,507	\$6,703,220	\$124,010,727
Storage	37,377,226	(820,888)	(8,604,968)	10,691,369	38,642,738	276,697	38,919,435
Transmission	55,773,877	(6,448,646)	(25,298,012)	605,351	24,632,570	1,941,549	26,574,119
Pumping (Supply)	-	-	-	-	-	-	-
Pumping (Distribution)	-	-	-	-	-	-	-
Distribution	-	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-	-
Meters & Services	-	-	-	-	-	-	-
General (Supply)	19,910,187	(257,385)	(13,826,485)	1,527,347	7,353,665	47,010	7,400,675
General (Distribution)	-	-	-	-	-	-	-
Subtotal	\$305,621,261	(\$30,369,797)	(\$102,259,605)	\$14,944,922	\$187,936,481	\$8,968,475	\$196,904,956
Fund 4600-RWSS Assets:							
Supply/Treatment	\$200,907,711	(\$18,836,469)	(\$64,858,715)	\$1,789,297	\$119,001,824	\$619,472	\$119,621,296
Storage	-	-	-	-	-	-	-
Transmission	142,581,130	(70,020,557)	(22,779,644)	20,773	49,801,702	439,630	50,241,332
Pumping (Supply)	-	-	-	-	-	-	-
Pumping (Distribution)	-	-	-	-	-	-	-
Distribution	-	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-	-
Meters & Services	-	-	-	-	-	-	-
General (Supply)	793,336	(65,208)	(194,644)	408,182	941,667	(9)	941,658
General (Distribution)	-	-	-	-	-	-	-
Subtotal	\$344,282,178	(\$88,922,234)	(\$87,833,002)	\$2,218,252	\$169,745,193	\$1,059,093	\$170,804,286
Total	\$649,903,439	(\$119,292,031)	(\$190,092,608)	\$17,162,874	\$357,681,673	\$10,027,569	\$367,709,242

¹60 days of operating expenses, determined separately for each fund and allocated to system functions based on the underlying operating expenses.

Exhibit 6 (Continued). Calculation and Allocation of Net Rate Base

	Net Rate Base	Share Allocable to Tacoma ¹	Tacoma Share of Net Rate Base	Share Allocated to Cascade ²	Cascade Share of Net Rate Base
Fund 4600 Assets:					
Supply/Treatment	\$124,010,727	100.000%	\$124,010,727	13.067%	\$16,205,083
Storage	38,919,435	100.000%	38,919,435	9.292%	3,616,224
Transmission	26,574,119	100.000%	26,574,119	13.067%	3,472,569
Pumping (Supply)	-	100.000%	-	13.067%	-
Pumping (Distribution)	-	100.000%	-	0.000%	-
Distribution	-	100.000%	-	0.000%	-
Hydrants	-	100.000%	-	0.000%	-
Meters & Services	-	100.000%	-	0.000%	-
General (Supply)	7,400,675	100.000%	7,400,675	12.574%	930,525
General (Distribution)	-	100.000%	-	0.000%	-
Subtotal	\$196,904,956		\$196,904,956		\$24,224,400
Fund 4600-RWSS Assets:					
Supply/Treatment	\$119,621,296	41.667%	49,842,207	13.067%	\$6,513,123
Storage	-	41.667%	-	9.292%	-
Transmission	50,241,332	41.667%	20,933,888	13.067%	2,735,533
Pumping (Supply)	-	41.667%	-	13.067%	-
Pumping (Distribution)	-	41.667%	-	0.000%	-
Distribution	-	41.667%	-	0.000%	-
Hydrants	-	41.667%	-	0.000%	-
Meters & Services	-	41.667%	-	0.000%	-
General (Supply)	941,658	41.667%	392,358	13.067%	51,271
General (Distribution)	-	41.667%	-	0.000%	-
Subtotal	\$170,804,286		\$71,168,453		\$9,299,927
Total	\$367,709,242		\$268,073,408		\$33,524,327

¹Tacoma is allocated 41.667% (15/36) of the assets in Fund 4600-RWSS; the other 58.333% (21/36) is dedicated to the RWSS partners.

²Cascade is allocated a share of the net rate base based on the asset allocation shown in **Exhibit 5**.

C. Calculate Return on Assets

The return on assets is conceptually similar to “rent” that Cascade would pay to Tacoma for the privilege of using its infrastructure. It is calculated by multiplying the net rate base allocated to Cascade in **Exhibit 6** by an appropriate rate of return. Only assets used to provide service under the Market-Priced Wholesale Water Supply Agreement are included in the net rate base used to calculate a return under the utility-basis pricing model – Cascade will pay an SDC to acquire a permanent capacity commitment from Tacoma under the Wholesale Water Supply Agreement and, based on the cash-needs pricing model, will pay for a proportionate share of debt service and rate-funded capital associated with that capacity in the same way as Tacoma’s other retail and wholesale water customers.

While the rate of return is often linked to the service provider’s weighted average cost of capital (WACC), Tacoma and Cascade have agreed to use an externally based index to simplify calculation and updates as financial structures change over time. The rate of return on the rate base will be calculated using an average of the weekly municipal bond yields of the Bond Buyer 25-Bond Revenue Index over the two most recently completed years, plus a margin of 2.5%. **Exhibit 7** summarizes the calculated rate of return on assets based on 2022 – 2023 municipal bond yield values:

Exhibit 7. Calculation of Rate of Return on Assets

Two-Year (2022-2023) Average Yield per 25-Bond Revenue Index	3.711%
Plus: Incremental Premium	2.500%
Rate of Return on Assets	6.211%

Multiplying the net rate base of \$33,524,327 allocated to Cascade (per **Exhibit 6**) by a rate of return of 6.211% (per **Exhibit 7**) results in a return of \$2,082,054 on the assets providing wholesale service. This return is part of the annual cost of service to be recovered from Cascade under the Market-Priced Wholesale Water Supply Agreement and will change over time as the rate base and the average municipal bond yield change.

D. Allocate Depreciation Expense

The cost of service to be recovered from Cascade also includes a proportionate share of annual depreciation expense on the assets providing service under the Market-Priced Wholesale Water Supply Agreement for two reasons:

- To recognize the costs and decline in value associated with Cascade’s use of Tacoma’s infrastructure
- To collect a reasonable contribution toward the future replacement of the assets providing service that is relatively independent of Tacoma’s internal capital financing decisions

For the purpose of this allocation, Tacoma will use its standard useful life assumptions that are embedded in its annual financial reporting. Page 26 of Tacoma’s 2023 Annual Financial Report specifies the following useful life assumptions:

- Source of Supply Plant: 34 Years
- Pumping Plant: 40 Years
- Water Treatment Plant: 28 Years
- Transmission Plant: 60 Years
- Distribution Plant: 53 Years
- General Plant: 13 Years
- Right to Use: Depends on the life of the lease or subscription

Exhibit 8 summarizes the allocation of depreciation expense to Cascade, based on the same principles used to allocate the net rate base to Cascade in **Exhibit 6** (while CWIP investments are included in the net rate base used to calculate a return, they are not depreciated unless or until they are booked as a completed capital asset that has been put into service). Similarly, Cascade is only allocated depreciation based on its share of capacity under the Market-Priced Wholesale Water Supply Agreement. As discussed in Section 1.0, the payments that Cascade makes based on the permanent capacity commitment will be pursuant to the Wholesale Water Supply Agreement and Tacoma’s cash-basis ratemaking process.

Exhibit 8. Allocation of Depreciation Expense

	Annual Depreciation of Regional System ¹	Share Allocable to Tacoma ²	Tacoma Share of Annual Depreciation	Basis for Allocation to Cascade	Share Allocable to Cascade	Cascade Share of Annual Depreciation
Fund 4600 Assets:						
Supply/Treatment	\$5,126,502	100.000%	\$5,126,502	Supply Capacity (Peak)	13.067%	\$669,905
Storage	625,709	100.000%	625,709	Storage Capacity	9.292%	58,138
Transmission	911,626	100.000%	911,626	Supply Capacity (Peak)	13.067%	119,127
Pumping (Supply)	-	100.000%	-	Supply Capacity (Peak)	13.067%	-
Pumping (Distribution)	-	100.000%	-	Not Allocated	0.000%	-
Distribution	-	100.000%	-	Not Allocated	0.000%	-
Hydrants	-	100.000%	-	Not Allocated	0.000%	-
Meters & Services	-	100.000%	-	Not Allocated	0.000%	-
General (Supply)	889,932	100.000%	889,932	Other 4600 Supply Assets	12.574%	111,896
General (Distribution)	-	100.000%	-	Not Allocated	0.000%	-
Subtotal	\$7,553,769		\$7,553,769			\$959,065
Fund 4600-RWSS Assets:						
Supply/Treatment	\$6,164,214	41.667%	\$2,568,423	Supply Capacity (Peak)	13.067%	\$335,628
Storage	-	41.667%	-	Storage Capacity	9.292%	-
Transmission	2,326,140	41.667%	969,225	Supply Capacity (Peak)	13.067%	126,653
Pumping (Supply)	-	41.667%	-	Supply Capacity (Peak)	13.067%	-
Pumping (Distribution)	-	41.667%	-	Not Allocated	0.000%	-
Distribution	-	41.667%	-	Not Allocated	0.000%	-
Hydrants	-	41.667%	-	Not Allocated	0.000%	-
Meters & Services	-	41.667%	-	Not Allocated	0.000%	-
General (Supply)	32,807	41.667%	13,670	4600-RWSS Supply Assets	13.067%	1,786
General (Distribution)	-	41.667%	-	Not Allocated	0.000%	-
Subtotal	\$8,523,161		\$3,551,317			\$464,068
Total	\$16,076,930		\$11,105,086			\$1,423,133

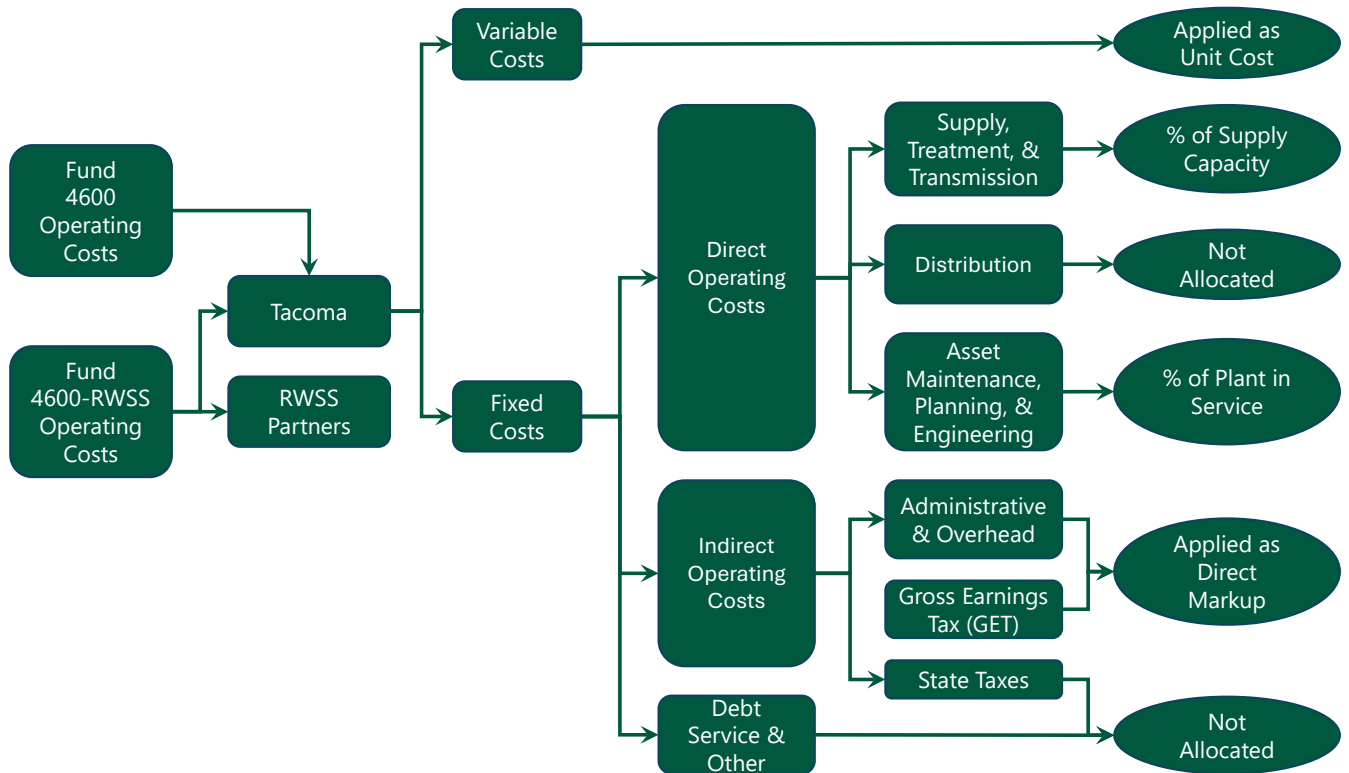
¹Based on plant in service as of 12/31/23.

²Tacoma is allocated 41.667% (15/36) of Fund 4600-RWSS assets; the other 58.333% (21/36) is dedicated to the RWSS partners.

E. Allocate Operating Expenses

Exhibit 9 summarizes the framework used to allocate operating expenses to Cascade:

Exhibit 9. Framework for Allocating Operating Expenses



The framework shown above attempts to balance equity and simplicity, recognizing that Tacoma does not separately track operating expenses specifically related to the facilities that would serve Cascade. The allocation generally summarizes expenses by activity within Tacoma’s chart of accounts, assigning costs to Cascade based on the following principles:

- The pool of operating expenses allocable to Cascade includes the Fund 4600 operating budget and Tacoma’s share (15/36, or 41.667%) of Fund 4600-RWSS operating expenses.
- Variable operating costs including electricity, chemicals, and solids hauling are not directly allocated to Cascade, but are instead built into a variable unit cost that applies to Cascade as an incremental volume charge based on its actual water usage.
- Fixed operating costs are split into separate pools for direct operating costs, indirect operating costs, and debt service/other rate-funded capital costs.
 - » While supply-related capital costs are allocated to Cascade based on its share of peak supply capacity (to recognize that the supply system is sized to meet peak demands), fixed operating costs attributable to supply, treatment, and/or transmission are allocated to Cascade based on its weighted share of average and peak supply capacity

(13.875% per **Exhibit 2**). This allocation recognizes that some operating expenses vary with the size and scale of the system while others vary with how much it is used.

- » Fixed operating costs attributable to the distribution system are not allocated to Cascade.
- » Fixed operating costs attributable to asset maintenance, planning, and engineering are allocated to Cascade based on its share of plant in service. The share of these costs that Tacoma budgets in Fund 4600 is allocated to Cascade based on its share of Fund 4600 assets (3.999% per **Exhibit 5**); Tacoma's share of these costs in Fund 4600-RWSS are allocated to Cascade based on its share of Fund 4600-RWSS assets (13.067% per **Exhibit 5**).
- » Fixed administrative and overhead costs are not allocated to Cascade directly but are built into a markup that applies to its allocation of direct operating costs. The markup is calculated by dividing the total administrative and overhead costs (for Funds 4600 and 4600-RWSS combined) by total operating expenses net of the gross-earnings tax (which, as mentioned below, is applied to the total cost allocation at the end of the calculation). A maximum markup of 30.0% is allowed under the terms of the Market-Priced Wholesale Water Supply Agreement.
- » Retail water conservation investments and expenses are not allocated to Cascade as Cascade has its own conservation program.
- » Taxes are not allocated to Cascade in this part of the analysis. In general, taxes would be applied as a markup to the total cost allocated to Cascade in order to keep Tacoma's water utility financially whole. State excise taxes would not apply because RCW 82.16.050 (2) allows Tacoma to deduct revenue from the sale of water (and other commodities) for resale within the State of Washington. However, Tacoma's 8.0% gross-earnings tax would apply to Cascade as Tacoma's water utility must pay that tax on its gross income (including income received from Cascade). The terms of the Market-Priced Wholesale Water Supply Agreement allow Tacoma to recover the costs associated with the gross-earnings tax, capping the gross-earnings tax rate at 8.0%.

Exhibit 10 summarizes the allocation of actual 2023 operating expenses to Cascade.

Exhibit 10. Allocation of Operating Expenses

Calculation of Administrative Cost Markup	2023 Actual
Total Administrative & Overhead Costs (Funds 4600 and 4600-RWSS)	\$27,282,711
Total Operating Costs	\$91,305,677
Less: Gross-Earnings Tax	(9,789,224)
Net Operating Costs	\$81,516,453
Administrative & Overhead Costs as a Percent of Net Operating Costs	33.469%
Maximum Administrative Cost Markup per Agreement	30.000%
Effective Administrative Cost Markup	30.000%

Calculation of Variable Unit Cost	2023 Actual
Variable Operating Costs	
Electricity	\$1,454,628
Chemicals	2,295,783
Solids	-
Subtotal – Fund 4600 O&M	\$3,750,411
Total Production Volume	31,589,574 ccf
Adjustment for Estimated Water Loss	2.000%
Adjusted Production Volume	30,957,782 ccf
Base Variable Cost per ccf	\$0.121
Administrative Cost Markup (30.000%)	0.036
Gross Earnings Tax (8.000%; Effective Rate of 8.696% to Recover Tax on Tax)	0.014
Variable Cost per ccf with Markup (30.000%) & Gross Earnings Tax (8.000%)	\$0.171

	2023 Actual Expense	Share Allocable to Tacoma ²	Tacoma Share of Annual O&M	Basis for Allocation to Cascade	Share Allocable to Cascade	Cascade Share of Annual O&M
Fund 4600 Variable O&M Costs	\$1,802,080	100.00%	\$1,802,080	Not Allocated	0.00%	\$ -
Fund 4600 Fixed O&M Costs						
Supply, Treatment, & Transmission	15,063,621	100.00%	15,063,621	Weighted Supply Capacity	13.875%	2,090,050
Distribution	12,101,609	100.00%	12,101,609	Not Allocated	0.000%	-
Maintenance, Planning, & Engineering	5,626,707	100.00%	5,626,707	Share of Fund 4600 Assets	3.999%	224,998
Taxes	16,940,680	100.00%	16,940,680	Not Allocated	0.000%	-
Debt Service	3,546,581	100.00%	3,546,581	Not Allocated	0.000%	-
Capital/Other	2,983,030	100.00%	2,983,030	Not Allocated	0.000%	-
Administrative & Overhead	26,798,552	100.00%	26,798,552	Not Allocated	0.000%	-
Subtotal – Fund 4600 O&M	\$84,862,859		\$84,862,859			\$2,315,049
Fund 4600-RWSS Variable O&M Costs	\$1,948,331	64.99%	\$1,266,204	Not Allocated	0.000%	\$ -
Fund 4600-RWSS Fixed O&M Costs						
Supply, Treatment, & Transmission	4,031,546	41.67%	1,679,811	Weighted Supply Capacity	13.875%	233,071
Maintenance, Planning, & Engineering	(21,218)	41.67%	(8,841)	Fund 4600-RWSS Assets	13.875%	(1,155)
Administrative & Overhead	484,159	41.67%	201,733	Fund 4600-RWSS O&M	0.000%	-
Subtotal – Fund 4600-RWSS O&M	\$6,442,818		\$3,138,907			\$231,915
Direct O&M Cost Allocation	\$91,305,677		\$88,001,766			\$2,546,964
O&M Cost Allocation with Markup						\$3,311,054

Exhibit 10 shows an allocation of approximately \$3.3 million in annual operating costs to Cascade based on its temporary capacity commitment under the Market-Priced Wholesale Water Supply Agreement. In addition to this amount, Cascade will be allocated a share of

operating costs for its permanent capacity under the Wholesale Water Supply Agreement based on Tacoma’s cash-needs pricing model.

F. Calculate Wholesale Rate Structure

In general, using purely historical costs for the market-priced wholesale rate calculation would result in a lag in cost recovery from Cascade – for example, 2025 rates would be set in 2024 using 2023 data. To avoid undue impacts to Tacoma, the Parties have agreed to adjust the fixed operating costs allocated to Cascade in **Exhibit 10** to reflect two years of inflation in the Consumer Price Index for All Urban Consumers (CPI-U) for the Seattle-Tacoma-Bellevue Metropolitan Area, from June of two years ago to June in the current year. As envisioned, a 2025 rate calculation prepared in 2024 uses CPI-U inflation from June 2022 to June 2024 – based on the published values for these periods, the inflationary adjustment is calculated as $354.824 / 326.656 = 8.623\%$. This inflationary adjustment also applies to the variable unit cost increment shown in **Exhibit 10**, increasing the incremental variable cost from \$0.171 per ccf (including the markups for administrative costs and gross-earnings taxes) to \$0.186 per ccf.

Depreciation and the return on assets are not adjusted for inflation, recognizing that they will change with the addition and retirement of assets (which are relatively unpredictable and can vary considerably from year to year). The 2025 rate calculation reflects depreciation and a return on assets that were in service as of 12/31/23 (it also includes a return on CWIP investments that had been made as of 12/31/23, but as previously noted CWIP investments do not depreciate unless or until the related asset is placed into service).

Exhibit 11 summarizes the total annual cost of service allocated to Cascade for supply that it will receive under the Market-Priced Wholesale Water Supply Agreement:

Exhibit 11. Summary of Annual Revenue Requirement – Market-Priced Wholesale Water Supply

	Allocation for 2025 Rates	Notes
Return on Assets	\$2,082,054	6.211% Return (Exhibit 7) × Net Rate Base of \$33,524,327 (Exhibit 6)
Depreciation	1,423,133	Per Exhibit 8
O&M	3,596,570	\$3,311,054 per Exhibit 10 with an inflationary adjustment of 8.623%
Taxes:		
State Taxes	-	N/A – Sales for Resale Deductible per RCW 82.16.050 (2)
Gross Earnings Tax	617,544	8% per Section 6A.100.010 of Tacoma Municipal Code
Total Annual Allocated Cost	\$7,719,302	

How Tacoma recovers this allocated cost from Cascade is a point which the parties negotiated. In general, fixed charges promote revenue stability and predictability while volume charges incentivize efficient use of the system and protect both parties from risks associated with overestimating or underestimating usage. Based on discussions between the parties, the

wholesale rate structure is set to recover 25% of the total allocated cost through a monthly fixed charge and 75% through a volume charge. **Exhibit 12** shows what the wholesale rate structure would look like based on the 2025 cost allocation shown in **Exhibit 11**.

Exhibit 12. Rate Structure for Market-Priced Wholesale Water Supply

	2025 Rate Calculation	Notes
Total Annual Allocated Cost (2025)	\$7,719,302	Per Exhibit 11
Share Recovered Through Fixed Charges	25%	
Annual Cost Recovered Through Fixed Charges	\$1,929,825	
Monthly Fixed Charge	\$160,818.79	
Annual Cost Recovered Through Volume Charges	\$5,789,476	
Estimated Volume	5,855,208 ccf	Average-day demand of 12.0 mgd, converted to ccf
Base Volume Charge per ccf	\$0.989	\$5,789,476 / 5,855,208 ccf
Plus: Variable Unit Cost per ccf Produced	\$0.186	Adjusted for administrative costs, taxes, and inflation
Total Volume Charge per ccf	\$1.175	

For comparative purposes, Section 12.10.400 of the Tacoma Municipal Code specifies a 2025 wholesale water rate structure that includes a fixed “ready-to-serve” charge of \$3,188.34 per mgd of contracted peak capacity and, for “constant-use” wholesale customers with a summer/winter use ratio of 2.5 or less, a seasonal volume rate structure set at \$1.598 per ccf from October – May and \$1.998 per ccf for June – September. Based on the temporary peak-capacity commitment of 17.5 mgd, the fixed charge would be \$55,795.95 per month (\$669,551 per year). Assuming that Cascade uses the full temporary peak-capacity commitment of 17.5 mgd for the 122-day period spanning from June 1 through September 30 and an annual average daily demand of 12.0 mgd, the total annual volume charge would be roughly \$10.5 million. The total annual cost allocated to Cascade in **Exhibit 11** (\$7.7 million) represents approximately 69% of what Cascade would pay under Tacoma’s adopted 2025 wholesale rate structure for a comparable permanent capacity commitment.

3.0 Other Technical & Administrative Issues

The rates shown in **Exhibit 12** use 2023 actuals and other recent information to provide a sample calculation of the market-priced wholesale water rate for 2025. The use of historical data in the rate calculation with a defined methodology for inflationary adjustments is advantageous in that it protects both parties from the risks associated with using forward-looking budget projections, including (but not limited to):

- **Inflation Assumptions:** Costs may increase from year to year at a rate that is higher or lower than the assumptions built into the budget.

- **Operational Assumptions:** The budget might include planned staffing additions (with corresponding impacts to projected salary and benefit costs) that might or might not occur.
- **Budget Contingencies:** The budget may contain contingencies or conservatively high cost estimates that are intended to minimize the likelihood that staff will have to request additional budget to accommodate unforeseen overruns. Because these contingencies do not necessarily represent what the utility actually expects to spend, including them in the pool of costs to be recovered through the wholesale rate structure would arguably result in overcharging wholesale customers for service.

Using historical costs to set the market-priced wholesale rates also avoids the administrative burden of the true-ups that would otherwise be needed to ensure that the rate structure recovers costs equitably. However, the downside to using this approach for rate-setting is that it results in a “lag” in recovering near-term cost increases. To mitigate this, the methodology outlined in this report adjusts the allocated operating costs for two years of inflation in the CPI-U for the Seattle-Tacoma-Bellevue Metropolitan Area. However, some risks remain:

- Cost increases may exceed CPI inflation for various reasons including labor-union negotiations, insurance premium increases, and unanticipated repairs. Such unanticipated cost increases will end up in the rate calculation, albeit with a lag. It would be prudent for the Parties to establish a process that enables mutually agreed-upon adjustments to the annual cost allocation in a given year if needed (likely only in relatively severe cases) to ensure that the rates are based on representative or “normal” operating conditions to the extent possible.
- Though the market-priced wholesale rate calculation uses stable and reliable indices to adjust allocated operating costs for inflation and determine the rate of return on assets, it is possible that the indices used may be modified or discontinued. In either case, the Parties should agree to collaborate (and seek outside guidance from a qualified professional if needed) to find a new index.

It is also worth noting that Tacoma may add programs or cost centers, remove them, or otherwise change its chart of accounts over time. The Parties have agreed that such changes will not occur without Cascade’s concurrence, which it cannot reasonably withhold. In the event of a dispute, the Parties will initiate a mediation/arbitration process using either a rate consultant, accountant, or perhaps a regulatory agency (such as the Utilities and Transportation Commission) with applicable experience and methods.