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308-14-001

INTERLOCAL AGREEMENT FOR CARLSBORG WASTEWATER DISPOSAL

This Agreement ("Agreement") pursuant to RCW 39.34, the Interlocal Cooperation Act, is made by and between City of Sequim, a Washington municipal corporation ("City"), and Clallam County, a political subdivision of the State of Washington ("County") (individually a "Party" and collectively the "Parties"). In consideration of the terms and conditions set forth in this Agreement, the Parties agree as follows:

Section 1. Recitals

1.1 The City owns and operates a wastewater collection and treatment system ("City System"), including a Wastewater Reclamation Facility ("WRF"), and is authorized pursuant to RCW 35.67.020(1) to provide sewer service to customers and properties located both within and outside of the city limits.

1.2 The County, under its authority granted in RCW 36.94, intends to construct, own, and manage a wastewater collection system ("Carlsborg System") located in the Carlsborg Urban Growth Area, which is located in Clallam County near the City of Sequim.

1.3 The City's WRF currently has available capacity, and the City desires to accept wastewater flows from the Carlsborg System.

1.4 The County has evaluated its options for treating and disposing of wastewater from the Carlsborg System and finds that, given the charges set forth in this Agreement, the most cost-effective method is to discharge the wastewater into the City System and have it be treated by the City's WRF.

1.5 City and County representatives have met and discussed the discharge of wastewater from the Carlsborg System into the City System, including the charges that should be paid by the County to the City for the right to discharge. Both parties are in agreement that the charges, terms and conditions set forth in this Agreement are reasonable and equitable.

1.6 It is the purpose of this Agreement to provide for long-term wastewater disposal, planning and certainty for both the City and the County.

1.7 The Parties now desire to enter into an interlocal agreement pursuant to RCW 39.34, the Interlocal Cooperation Act, for the disposal of wastewater from the Carlsborg System.

Section 2. Definitions

2.1 "Agreement" means this document.

2.2 "Average Carlsborg Transmission Percentage" means the weighted average of the Carlsborg Transmission Percentages, based on the length of each segment of pipe along the Transmission Route. The Average Carlsborg Transmission Percentage set forth in Exhibit A is assumed for the purposes of this Agreement, unless and until that percentage is updated pursuant to Section 5.1.2(c).

2.3 "Biochemical Oxygen Demand" or "BOD" means the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedures during five (5) days at twenty (20) degrees Celsius, expressed as a loading in lbs/day.

2.4 "Capacity Charge" means an up-front payment by the County to the City for the right to discharge a given amount of Wastewater, or a given incremental increase in the amount of Wastewater, into the City System.

2.5 "Capacity Percentage" means the Capacity Reservation divided by the total rated flow capacity of the WRF, measured as a percentage of maximum monthly flow. When determining the Carlsborg Cost Share for capital projects that expand WRF flow capacity, Capacity Percentage means the Capacity Reservation after WRF expansion divided by the total rated flow capacity after WRF expansion.

2.6 "Capacity Reservation" means the maximum Carlsborg Flows that may be discharged to the City System in a given calendar year, as measured by Maximum Monthly Flow in gallons per day (gpd), as updated pursuant to Section 3.4.2.

2.7 "Capital Cost Share" means a required payment from the County to the City toward the cost of capital improvements to the WRF, the Transmission Route, or the City Collection System as a whole, where the capital cost is incurred after December 31, 2013.

2.8 "Carlsborg Flow" or "Carlsborg Flows" mean the actual volume of Wastewater through the Sewer Meter in a given period of time.

2.9 "Carlsborg System" means the sewerage system consisting of a sanitary sewer collection system, sewage trunk lines, sewer pumping stations, and appurtenances owned, operated, and maintained by the County in the Carlsborg Service Area, including a force main extending to the Point of Delivery.

2.10 "Carlsborg Service Area" means the Carlsborg Urban Growth Area as presently designated or as modified in the future.

2.11 "Carlsborg Transmission Percentage" means the projected Carlsborg Flow in gallons per minute gpm, peak hourly, as a percentage of projected total Wastewater flow (gpm, peak hourly) through any given segment of pipe along the Transmission Route. The Carlsborg

Transmission Percentages set forth in Exhibit A are assumed for the purposes of this Agreement, unless and until those percentages are updated pursuant to Section 5.1.2(c).

2.12 "City" means the City of Sequim, a Washington municipal corporation existing and operating pursuant to Title 35 Revised Code of Washington.

2.13 "City Collection System" means the City-owned sanitary sewer trunk lines, laterals in City right-of-way, lift stations, and force mains through which sewage flows to the WRF, including manholes and other appurtenances but not including the WRF.

2.14 "City Service Area" means the current sewer service area boundary of the City, and as such boundary may be modified and amended in the future.

2.15 "City System" means the City Collection System plus the WRF.

2.16 "City Wastewater Source Control Program" means regulations, policies and procedures adopted by the City for the pretreatment of wastewater discharged into the City System, currently set forth in Sequim Municipal Code 13.48, and as such regulations, policies and procedures may be modified, amended, repealed and superseded by the City.

2.17 "County" means Clallam County, a political subdivision of the State of Washington organized, existing and operating pursuant to Title 36 Revised Code of Washington.

2.18 "DOE" means the Washington State Department of Ecology.

2.19 "Domestic Wastewater" means water carrying human wastes, similar in character and volume to wastewater generated from single and multifamily residences and permanent mobile home courts.

2.20 "FOG" means wastewater whose components of fats, oils and grease are subject to measurement by the methods described in Standard Methods of Examination of Water and Wastewater, 20th Edition, 1998, Section 5520, or latest edition; the term "fats, oils and grease" shall include polar and non-polar fats, oils and grease.

2.21 "High Strength Waste" means any water or wastewater having a concentration of BOD, TSS, or FOG in excess of the domestic concentration thresholds set forth in the City Wastewater Source Control Program.

2.22 "Industrial Wastewater" means water or liquid-carried waste from any industry, manufacturing operation, trade, business, or commercial establishment and public use facilities which includes process wastewater, cooling water, contaminated stormwater, contaminated leachates, or other waters in some combination such that the combined effluent differs in some way from Domestic Wastewater, or is subject to regulation under (a) Federal Categorical

Pretreatment Standards ("Standards"), (b) the State Waste Discharge Permit Program ("WDP Program"), or as such Standards and WDP Program may be updated, modified or amended.

2.23 "Inflow and Infiltration" or "I&I" means water that enters the sewer system from the outside environment, not from domestic or industrial structures. "Inflow" means surface water that enters the wastewater system from yard, roof and footing drains, from cross-connections with storm drains, downspouts, and through holes in manhole covers; "infiltration" means infiltration of groundwater that is influenced by surface or sea water, that enters sewer pipes, interceptors, collectors, manholes, or side sewers through breaks, holes, joint failures, connection failures and other openings.

2.24 "Initial Capacity Charge" means the Capacity Charge to be paid when the Carlsborg System is first connected to the City System.

2.25 "Initial Capacity Reservation" means the Capacity Reservation in effect upon initial connection of the Carlsborg System to the City System and thereafter, until updated pursuant to the procedure set forth in Section 3.4.2.

2.26 "Maximum Monthly Flow" ("MMF") means the total flow of sewage in gallons divided by the total number of days in that month during which the greatest volume of flow occurs, in any given calendar year, expressed in gallons per day (gpd).

2.27 "Net Book Value" means the original cost of a capital asset, less the portion of the cost funded by contributed capital such as grants, less accumulated depreciation on the non-contributed portion.

2.28 "O&M Markup" means an amount that is added to the cost basis for the two types of O&M charges set forth in Section 5.1, to account for the City Business & Occupation Tax and an out-of-City multiplier. The O&M Markup is equal to twenty-five (25%) of the cost basis. There is no similar markup for the Capacity Charge or Capital Cost Share.

2.29 "Point of Delivery" means the boundary at which wastewater originating in the Carlsborg System is conveyed into the City System, located in proximity to 1453 West Washington Street within the City, as shown in Exhibit A. All sewer lines upstream of the Point of Delivery are the responsibility of the County.

2.30 "Sewage" or "Wastewater" means water-carried human wastes or a combination of water-carried wastes from residences, business buildings, institutions, industrial establishments and public use facilities, together with such I&I as may be present.

2.31 "Sewer" means any pipe, conduit ditch, or other device used to collect and transport sewage from the generating source to the Wastewater Reclamation Facility.

2.32 "Sewer Meter" means a sewer flow meter, including a vault, sample port, and electronic equipment to allow remote meter reading, through which Carlsborg Flows shall enter the City System.

2.33 "Total Suspended Solids" or "TSS" means the total suspended matter that floats on the surface of, or is suspended in, water, wastewater, or other liquid, and which is removable by laboratory filtering, expressed as a loading in lbs/day.

2.34 "Transmission Route" means the linear path of City Sewer pipes, including manholes and related facilities, through which Carlsborg Flows are primarily conveyed from the Point of Delivery to the City WRF, as shown in Exhibit A. The Transmission Route does not include any sewage lift stations.

2.35 "Wastewater Reclamation Facility" or "WRF" means the City's wastewater treatment and reclamation plant located at 247 Schmuck Road, Sequim, Washington, along with its appurtenant headworks, marine outfall, and water recycling facilities.

Section 3. Delivery and Acceptance of Wastewater

3.1 Wastewater Delivery. The County shall deliver to the City, not to exceed the Capacity Reservation, the Wastewater collected by the Carlsborg System, and the City shall accept and treat the Carlsborg Flows in accordance with the terms of this Agreement.

3.2 Wastewater Metering. The County shall deliver the Wastewater to the City at the Sewer Meter, which the County shall construct at the County's sole expense at the Point of Delivery. Upon completion of construction, the County shall transfer to the City ownership of the Sewer Meter, including any warranties or sureties, after which the City shall operate and maintain it at the City's sole expense.

3.3 Initial Capacity Reservation. The Initial Capacity Reservation is one hundred five thousand (105,000) gallons per day (Maximum Monthly Flow).

3.4 Future Updates to Capacity Reservation.

3.4.1 Planning Basis for Capacity Reservation. The intent of the Parties is that the Capacity Reservation be based on a long-term demand forecast for the Carlsborg System, so that the Carlsborg System has reserved capacity sufficient to accommodate between ten and twenty years of planned growth at any given time. The choice about how much treatment capacity to request is at the sole discretion of the County, and the choice about whether to grant the requested level of capacity is at the sole discretion of the City. Both parties must be reasonable in exercising their discretion.

3.4.2 Process for Updating Capacity Reservation. At five-year intervals, the County shall assess the projected level of demand from the Carlsborg System, and the City shall assess the total projected demand for the WRF. Based on the Carlsborg demand forecast, the County shall determine whether the Carlsborg System has sufficient reserved treatment capacity to accommodate its projected future growth. If the County requests a change in the Capacity Reservation and the request is granted by the City, with approval from their respective legislative bodies, the incremental change and the revised Capacity Reservation shall be documented in a joint memorandum signed by the managers responsible for the Carlsborg System and the City System, such memorandum to be appended to the Agreement. The Capacity Percentage shall thereby be updated to reflect the new percentage of WRF capacity committed to the Carlsborg System, and the County shall pay the appropriate Capacity Charge on the incremental Capacity reservation.

3.4.3 Plan for Maintaining Adequate Capacity Reservation. Even if it has been less than five years since the most recent demand forecast, if the Carlsborg Flow exceeds eighty-five percent (85%) of the Capacity Reservation, the County shall update the Carlsborg demand forecast and submit a plan to the City for continuing to maintain adequate treatment capacity, potentially including a request for additional Capacity Reservation.

3.4.4 Reductions in Capacity Reservation. If the City requests a reduction in Capacity Reservation and the County agrees, then the City shall pay the County a Capacity Refund Payment. As illustrated in Exhibit C, the Capacity Refund Payment shall be based on the then-current Net Book Value of the capital assets previously funded by Capital Cost Shares and the then-current Net Book Value of the pre-2014 assets included in previously paid Capacity Charges, the sum divided by the then-current WRF total capacity (in gpd) and then multiplied by the change in Capacity Reservation (in gpd).

3.5 High Strength Waste and Industrial Wastewater. The City agrees to accept and treat High Strength Waste and Industrial Wastewater from the Carlsborg System; however, the City shall have the right to regulate and control the conditions under which High Strength Waste and Industrial Wastewater is accepted into the City System.

3.5.1 Pretreatment Requirements for Carlsborg Customers. The County shall adopt and implement a pretreatment program for Carlsborg System customers discharging High Strength Waste or Industrial Wastewater, with requirements at least as stringent as what the City Wastewater Source Control Program requires of City System customers. The County pretreatment program may include requirements to install on-site pretreatment facilities, adopt specified wastewater management practices, monitor wastewater flows from particular customers, be subject to inspections by County or City pretreatment staff, and/or pay fees for retreatment program administration and lab testing. The County shall not accept into the Carlsborg System hauled waste discharges, including discharges from septic haulers.

3.5.2 County Responsible for Carlsborg High Strength Waste and Industrial Wastewater. The City shall be responsible for testing at its own expense the BOD, TSS, FOG, and other regulated characteristics of the Carlsborg Flows at the Point of Delivery. The County shall be responsible for any violations of the City Wastewater Source Control Program or DOE permit requirements resulting from Carlsborg Flows. A pattern or practice of violations by the County of the City Wastewater Source Control Program or DOE permit requirements for high strength waste or industrial wastewater may be considered grounds for the City to terminate the Agreement, with ten (10) years advance written notice.

3.6 County Access to Reclaimed Water from Sequim Water Reclamation Facility.

3.6.1 Statement of Intent. Both parties recognize that the County is contributing to the effluent flows at the WRF. The reclaimed water generated by the WRF offers a resource that is valuable to the region and may be of interest to the County in the future. Nothing in this Agreement requires the City of Sequim to have reclaimed water that meets the standards or volumes needed for upland or aquifer recharge. The City shall have the choice of which wastewater treatment standard to apply and may base this decision on many factors, including but not limited to State regulations, discharge permit conditions, cost to produce reclaimed water, market demand for reclaimed water, WRF operating constraints, upset plant conditions, and/or distribution system constraints.

3.6.2 County Right to Acquire Reclaimed Water. Prior to the City selling or committing reclaimed water to other customers or for mitigation projects, the County will have a right of first refusal to purchase a quantity of reclaimed water equal to the amount of Carlsborg Flows, as measured at the Sewer Meter. The County will have ninety (90) calendar days to formally commit to such a purchase after being notified in writing by the City of its availability. The price charged to the County for reclaimed water shall equal the price charged to in-City customers plus fifteen percent (15%), provided that if any part of the cost of creating reclaimed water is already included in the County's wastewater treatment bill, that amount will be deducted from the cost of the reclaimed water purchase. If County use of the reclaimed water requires special pumping or conveyance not otherwise provided to City customers, the cost shall be borne by the County. If the County uses its purchased reclaimed water for water rights mitigation or other long-term commitments, it will do so solely at its own discretion, and the City will not be responsible for any guaranteed delivery of the reclaimed water beyond what is normal policy for all customers of the City.

3.7 Pipe Capacity. The County shall design and operate the Carlsborg System so as not to cause surcharging, as defined in the DOE *Criteria for Sewage Works Design* (Orange Book), due to Carlsborg Flow exceeding its share of pipe capacity. The City shall have the right to review and comment on the design and operating procedures for Carlsborg lift stations.

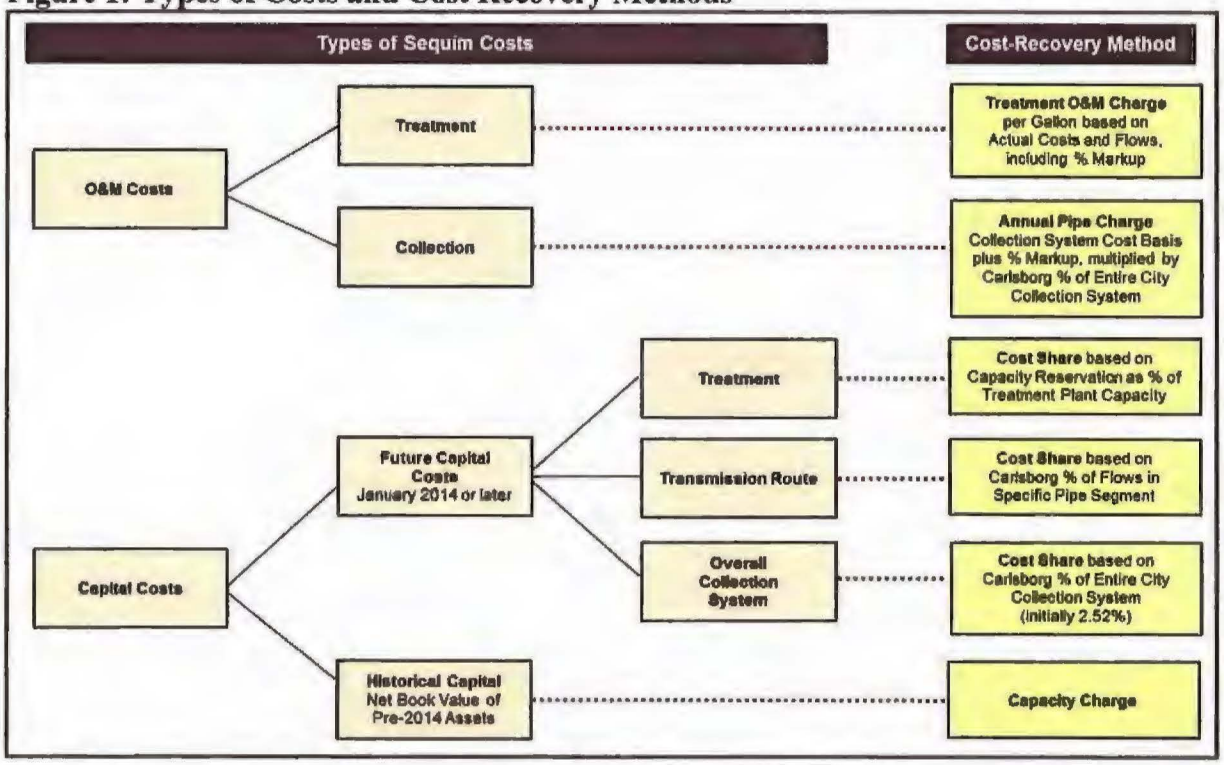
Section 4. Excess Discharge

4.1 Maximum Carlsborg Flow. The County shall not discharge more than the Capacity Reservation into the City System. The City's acceptance of any wastewater above the Capacity Reservation shall by itself create no right, title or interest in the County in any increase in the Capacity Reservation.

4.2 Remedies for Excess Discharge. If the Capacity Reservation is exceeded in any given year, the City may, at its option, (a) require the County to agree to an increased Capacity Reservation, (b) if the City determines it does not have sufficient WRF capacity to allow an increased capacity reservation, require the County to impose a moratorium on new connections within the Carlsborg UGA, and/or (c) terminate this Agreement and discontinue receiving County Wastewater after at least ten (10) years prior written notice to the County. Before imposing a remedy, the City shall consult with the County to determine which remedy the County considers to be the least burdensome and most realistic, provided, however, the City shall retain the right in its sole discretion to impose the appropriate remedy.

Introductory Note to Sections 5 and 6. Figure 1 is a graphic depiction of the methods by which capital and operating costs related to the City WRF and Transmission Route are to be recovered from the County by the City. Section 5 addresses the recovery of operating and maintenance ("O&M") costs; Section 6 addresses the recovery of capital costs.

Figure 1: Types of Costs and Cost Recovery Methods



Section 5. Operating & Maintenance Charges

5.1 Types of Operating and Maintenance Charges. The County shall pay the City monthly two types of O&M Charges for the disposal of sewage collected by the County within the Carlsborg Service Area and delivered to the City System: a Treatment O&M Charge based on a Treatment O&M Rate per gallon multiplied by the number of gallons of Carlsborg Flow in a given month, and an Annual Pipe Charge divided by twelve (12) months.

5.1.1 Calculation of Treatment O&M Rate. A Treatment O&M Rate per gallon shall be calculated each year based on the Treatment Operating Cost Basis plus the O&M Markup, the sum divided by the actual total gallons of influent to the WRF during that year. The Treatment Operating Cost Basis means the actual cost of operating and maintaining the WRF in a given year, subject to the inclusions and exclusions set forth in Section 5.2.

5.1.2 Annual Pipe Charge. The Annual Pipe Charge shall be calculated each year based on the Collection System Operating Cost Basis plus the O&M Markup, the sum multiplied by the Carlsborg Percentage of the Entire City Collection System. The Annual Pipe Charge divided by twelve (12) shall be billed each month, beginning with the date the Carlsborg System is connected to the City System, with the first month pro-rated to the number of days of service during that month.

(a) The Collection System Operating Cost Basis means the actual cost of operating and maintaining the City System minus the Treatment Operating Cost Basis, subject to the inclusions and exclusions set forth in Section 5.2.

(b) The Carlsborg Percentage of the Entire City Collection System results from the Average Carlsborg Transmission Percentage being multiplied by [the Transmission Route lineal feet as a percentage of the total lineal feet in the entire City Collection System], as shown in Exhibit A. Until updated in the future, the Carlsborg Percentage of the Entire City Collection System is two point five two percent (2.52%). Every five years, the City shall update the Carlsborg Percentage of the Entire City Collection System based on updated information about total lineal feet in the City Collection System. The updated number of total lineal feet in the City Collection System and resulting updated Carlsborg Percentage of the Entire City Collection System shall be documented in a memorandum from the manager responsible for the City System, appended to the Agreement, and used in subsequent calculations of the Annual Pipe Charge and Capital Cost Share.

(c) If both Parties agree in writing, with approval from their respective legislative bodies, to update the Carlsborg Transmission Percentages, then an engineering analysis shall be performed to forecast the peak hourly flows (in gallons per minute, or gpd) of the Carlsborg System and City System, respectively, through the shared pipes of the Transmission Route. The time frame for the engineering analysis shall be fifteen (15) years, and the cost of the analysis

shall be shared equally by both Parties. The updated Carlsborg Transmission Percentages and Calsborg Percentage of the Entire City System resulting from the analysis shall be documented in a joint memorandum signed by the managers responsible for the Carlsborg System and the City System, to be appended to the Agreement, and shall supersede the percentages shown in Exhibit A and be used for subsequent calculations of the Annual Pipe Charge and Capital Cost Share.

5.2. Included and Excluded Costs.

5.2.1. Included Costs. The Treatment Operating Cost Basis and Collection System Operating Cost Basis shall include both direct and indirect costs of operating and maintaining the City System, subject to the exclusions set forth in Section 5.2.2. Indirect costs such as administrative, general, and insurance costs shall be allocated in proportion to the amount of direct costs.

5.2.2. Excluded Costs. The Treatment Operating Cost Basis and Collection System Operating Cost Basis shall exclude the following:

(a) Any capital-related costs, such as capital expenditures, debt service costs, or transfers for the purpose of funding capital reserves.

(b) The City Business & Occupation Tax.

(c) State public utility and B&O taxes not applicable on sales to governmental customers.

(d) The cost of services not received by the Carlsborg System, such as stormwater service, sewage pumping, retail meter reading, or retail customer billing.

Exhibit B illustrates the calculation of the Treatment O&M Charge and Annual Pipe Charge.

5.3. Estimated O&M Charges and True-up Adjustment. In advance of a given year, the City shall create an estimated Treatment O&M Rate based on estimated costs and flows, and the estimated rate shall be applied to actual Carlsborg Flows during that year. The City shall also create an estimated Annual Pipe Charge based on the estimated Collection System Operating Cost Basis. After fiscal year-end, the Treatment O&M Rate for the given year shall be re-calculated based on actual costs and flows and a corrected Treatment O&M Charge calculated. Also after fiscal year-end, a corrected Annual Pipe Charge shall be calculated based on the actual Collection System Operating Cost Basis. The difference between estimated and corrected amounts for both types of O&M charges shall be divided into twelve equal parts and added to or subtracted from the following twelve monthly bills to the County. Exhibit B provides an example of a true-up adjustment after the end of a fiscal year.

Section 6. Capacity Charge and Capital Cost Share

6.1 Introduction to Section 6. In general, under the terms of this agreement, Capacity Charges are used to recover a proportionate share of the Net Book Value of WRF and Transmission Route assets built or acquired prior to December 31, 2013, including Construction Work in Progress as of December 31, 2013. For City capital costs incurred for WRF and Transmission Route projects after December 31, 2013, a proportionate share of the City capital cost is recovered through a Capital Cost Share.

6.2 Capacity Charges.

6.2.1 Initial Capacity Charge. Within ninety (90) calendar days of the effective date of this Agreement, the County shall pay to the City an Initial Capacity Charge of $1,334,666, pursuant to calculations shown in Exhibit C. The Initial Capacity Charge is based on the Carlsborg share of the Net Book Value of pre-2014 WRF and Transmission Route assets, assuming accumulated depreciation as of December 2015, which is the projected date for the Carlsborg System to be connected to the City System.

6.2.2 Subsequent Capacity Charges. If the Capacity Reservation is increased pursuant to Section 3.4.2, a subsequent Capacity Charge shall be paid by the County to the City. Subsequent Capacity Charges shall be calculated following the method illustrated in Exhibit C, based on the Net Book Value per gpd of pre-2014 treatment assets, multiplied by the increase in Capacity Reservation. The Net Book Value for subsequent Capacity Charges shall be net of year-end accumulated depreciation for the year immediately preceding the date the charge is payable. If the increase in Capacity Reservation occurs in conjunction with a WRF expansion project, post-expansion WRF capacity shall be used in calculating the subsequent Capacity Charge. Subsequent Capacity Charges shall be payable prior to the increase in Capacity Reservation taking effect.

6.3 Capital Cost Share. For capital expenditures to the City System incurred subsequent to December 31, 2013, the County shall pay to the City a Capital Cost Share based on Eligible City Capital Costs and the applicable Capital Cost Share percentages.

6.3.1. Capital Cost Share Percentages. The Capital Cost Share shall be based on the percentages set forth below:

(a) Treatment Capital. For capital improvements to the WRF, the applicable Capital Cost Share percentage shall be the Capacity Percentage, except that if the capital improvements are triggered by the need to expand the capacity for BOD or TSS loadings, the cost of those treatment improvements shall be shared on the basis of each party's relative BOD or TSS loadings at the time the need for the expansion is triggered.

(b) Transmission Route Capital. For capital improvements to the Transmission Route, the applicable Capital Cost Share percentage shall be the Carlsborg Transmission Percentage for the applicable segment of the Transmission Route. If more than one segment is involved in a single capital improvement project, the project cost shall be allocated by segment so that the relevant Carlsborg Transmission Percentage can be applied to each improved segment. If a City Collection System project improves sewer lines both on and off the Transmission Route, the Capital Cost Share shall only apply to the portion on the Transmission Route.

(c) Collection Systemwide Capital. For capital improvements or acquisitions that benefit the City Collection System as a whole without being geographically specific, the applicable Capital Cost Share percentage shall be the Carlsborg Percentage of the Entire City Collection System, as set forth in section 5.1.2 (b). Examples of this type of project might include improved GIS mapping or the replacement of a Vactor truck.

(d) City Collection System Projects Not on the Transmission Route. For capital improvements to a geographically specific part of the City Collection System that is not on the Transmission Route, there is no Capital Cost Share.

6.3.2. Eligible City Capital Costs. The Capital Cost Share shall be based on Eligible City Capital Costs actually incurred. Eligible City Capital Costs shall include the cost of construction, engineering fees, staff time spent directly on engineering or project management, major equipment acquisition, legal fees, land acquisition costs, and other types of costs customarily paid for by the City from capital funding sources for a capital asset, provided that eligible City Capital Costs shall not include interest or other financing charges, except for accrued interest as set forth in Section 6.3.3. Eligible City Capital Costs shall be offset by grants specific to the capital project. Eligible City Capital Costs shall not be reduced by capital cost shares paid by other wholesale customers that the City may potentially have in the future, nor shall it be reduced by the City's use of its own connection charge income.

6.3.3 Annual Billing for Capital Cost Share. Beginning in 2015, the City shall bill the County prior to March 31 each year for the Carlsborg Capital Cost Share relevant to the previous year's capital expenditures, and the County shall make the required payment within 30 calendar days, subject to the dispute resolution process outlined in Section 7.5 and Section 12. The City may add three-quarters of one percent (0.75%) to the capital cost share as an approximation of accrued interest during the year in which capital expenditures are incurred. The accrued interest factor is further explained in Exhibit C.

6.3.4. No Markup or Out-of-City Multiplier. The Capital Cost Share shall not include a markup or an out-of-City multiplier.

Section 7. Billing and Payment

7.1 Billing and Payments for O&M Charges and Capital Cost Share. In consideration for the transmission, treatment and disposal of Wastewater received from the Carlsborg System, the City shall bill the O&M Charges to the County on a monthly basis for the Treatment O&M Charge and one-twelfth (1/12) of the Annual Pipe Charge. The City shall also bill the County annually as set forth in Section 6.3.3 for the Capital Cost Share. The County shall make payments to the City based on the bill. Billing and payment are further described herein.

7.2 Billings. A bill that has been properly addressed and deposited in the United States mail, either to the address shown in Section 13.1 or to another address designated by the County in writing, shall be deemed to be presented to the County for payment. If both parties agree in writing, electronic billing may be used, in which case the billing date is the date the bill is sent electronically to the e-mail address designated in writing by the County. The County's payment in full of the monthly bill shall be due and payable at the City's Business Office twenty-five (25) days after the deposit of the City bill in the United States mail or the bill is sent electronically to the County ("Due Date"). Any bill not paid by the Due Date shall be past due. The City may charge interest on any past due bill at the rate applied to other City customers, subject to RCW 35.67.210 or as such statute may be modified, amended or superseded, for every month or portion of a month that the past due amount remains unpaid.

7.3 Temporary Lapses in Sewer Meter Data. If metered sewage volume is incomplete or inaccurate for any period of time, the City may bill the County for such period based on an estimated volume using any of the following methods: historical Carlsborg Flows, historical relationship of Carlsborg Flows to related metered water use, or surrogate Carlsborg Flows agreed upon in writing by the Parties. The City shall provide the County documentation of the basis for the estimated Carlsborg Flow in any such instance.

7.4 County Customers. The County shall be solely responsible for billing and collecting for sewer service from retail customers connected to the Carlsborg System.

7.5 Disputed Bills. If the County believes that a bill from the City is in error, the County shall notify the City and provide supporting documents within the thirty (30) calendar days after the City's transmittal of the bill to the County. Notice of disputed bills shall include payment of undisputed amounts and fifty percent (50%) of disputed amounts. Within ten (10) business days thereafter the City and County shall meet to attempt to resolve the dispute. If the dispute cannot be resolved, then the Parties shall proceed with dispute resolution under Section 12.

7.6 Notice and Opportunity to Cure Default. If a past due bill remains unpaid and no notice of dispute has been timely filed under Section 7.5, the City shall give written notice and opportunity to cure to the County ("Notice to Cure").

7.7 Default on Payment Obligations. If the County does not pay the past due bill within fifteen (15) business days after the Notice to Cure is mailed by the City to the County, the City shall have the right to collect the past due amount and impose a one-time penalty of ten percent (10%) of the amount of each past due bill. If the County has provided notice to the City of a dispute concerning a bill pursuant to Section 7.5, no penalty will be added to the bill, but interest will still accrue on the unpaid due amount until the dispute has been resolved and the appropriate payment made, in which case interest shall only apply to the unpaid portion of the appropriate payment. If the dispute resolution process results in an appropriate payment that is less than what the County has already remitted, the City shall refund the difference. The City shall have the right to pursue all lawful means of pursuing debt collection from the County. Subject to the dispute resolution process set forth in Section 12, failure of the County to make payments required under this agreement shall be considered grounds for the City to terminate this Agreement, on at least ten (10) years prior written notice to the County.

Section 8. Sewage Meter/Monitoring Vault

8.1 Access and Maintenance. The City and the County shall have equal access to the Sewer Meter for the purpose of periodic reading of County flows and to perform maintenance and operation functions.

8.2 Meter Recalibration. The Sewer Meter shall be re-calibrated upon the request of either Party. The cost of this recalibration shall be the responsibility of the requesting Party, except that the cost shall be the City's responsibility if a re-calibration has not been performed within the time frame recommended by the manufacturer of the meter. Representatives of each Party shall have the right to observe the recalibration. Should a meter recalibration reflect meter variation greater than five per cent (5%) of the measured meter reading, either Party may request a billing adjustment for the six (6) months previous to the recalibration using the meter variation percentage.

Section 9. Books, Records and Communications

9.1 Books. The City shall keep full and complete books of accounts showing all costs and expenses incurred in connection with the City System, including the maintenance and operations costs, capital costs, and any other costs or offsetting revenues used in calculating amounts payable by the County under this Agreement.

9.2 Inspection. Each Party shall have the right to inspect and copy, during regular business hours, all reports and records maintained by the other Party that relate to this Agreement, including, but not limited to, maintenance and operations costs or any other matter affecting the County's rates, flow records, wastewater quality reports, pretreatment monitoring records, connection records and reports, and reports to the DOE or other regulatory authorities, excepting public records maintained by either Party that (a) are exempt from disclosure pursuant to chapter 42.56 RCW, the Public Records Act, (b) are privileged and confidential pursuant to

chapter 5.26 RCW, or (c) are otherwise not subject to public disclosure or production in civil litigation.

9.3. Policy Notifications. At least fifteen (15) business days in advance of adoption, the City and County shall provide each other with copies of any policies or ordinances related to City treatment capacity, Carlsborg or City pretreatment requirements, or Carlsborg connection requirements. Each party shall endeavor to maintain communications with the other at the management level in order to be aware of the other party's interests while the proposed policies are being developed.

9.4 Annual Report on Industrial or High Strength Customers. The County shall report to the City annually on individual customers who are permitted to discharge industrial or high strength wastewater into the Carlsborg System. This report shall identify the relevant pretreatment requirements and monitoring results for each industrial or high strength customer.

Section 10. Indemnification and Insurance

10.1 City. The City shall indemnify, defend, and hold harmless the County, its officers, agents, and employees from all suits, claims, or liabilities of any nature, including attorneys fees, costs, and expenses, for or on account of injuries or damages sustained by any person or property, resulting from acts or omissions of and to the extent harm is caused by the City, its agents or employees in connection with maintenance and operation of the City System or for breach of its duties under this Agreement. If suit in respect to the above is filed, the City shall defend the suit at the City's own cost and expense, and if judgment is rendered or settlement made requiring payment by the County, its officers, agents or employees, the City shall pay the same. Should a court of competent jurisdiction determine that this indemnity agreement is subject to RCW 4.24.115, then in the event of liability for damages arising out of bodily injury to persons or damages to property caused or resulting from the concurrent negligence of the City and the County, its officials, officers, employees or agents, the City's liability hereunder shall only be to the extent of the City's negligence. It if further specifically and expressly understood that the indemnification provided herein constitutes the City's waiver of immunity under industrial insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the Parties.

10.2 County. The County shall indemnify, defend, and hold harmless the City, its officers, agents, and employees from all suits, claims, or liabilities of any nature, including attorneys fees, costs, and expenses, for or on account of injuries or damages sustained by any person or property, resulting from acts or omissions of and to the extent harm is caused by the County, its agents or employees in connection with maintenance and operation of the County Sewer System or for breach of its duties under this Agreement. If suit in respect to the above is filed, the County shall defend the suit at the County's own cost and expense, and if judgment is rendered or settlement made requiring payment by the City, its officers, agents or employees, the County shall pay the same. Should a court of competent jurisdiction determine that this

indemnity agreement is subject to RCW 4.24.115, then in the event of liability for damages arising out of bodily injury to persons or damages to property caused or resulting from the concurrent negligence of the City and the County, it officials, officers, employees agents, the County's liability hereunder shall only be to the extent of the County's negligence. It if further specifically and expressly understood that the indemnification provided herein constitutes the County's waiver of immunity under industrial insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the Parties.

10.3 Recovery of Cost of Regulatory Violations. If the City incurs fines, penalties, or remedial capital or cleanup costs for which the County is partially or fully responsible, the City shall have the right to charge the County for a proportionate share of any such fines, penalties and remedial capital or cleanup costs, and the County agrees to pay such charges to the City.

10.4 County Insurance Requirement. The County shall maintain insurance sufficient to pay any suits, claims, or liabilities of the City described in Section 10.2 and, in addition, the cost of remediation of environmental damage caused by any County discharge, such as the discharge into or transfer of toxic wastes from the Carlsborg System into the City System. The County, a charter county government under the Washington State Constitution, maintains an insurance program through the Washington Counties Risk pool for the protection and handling of the County's liabilities including injuries to persons and damage to property. The County's current insurance limits are $10,000,000 per occurrence. The City presumptively agrees that the County's coverage as of the date of this agreement is sufficient to cover known risks as of that date. The County agrees, at its own expense, to maintain this insurance coverage for all of its liability exposures for this Agreement. The County agrees to provide the City with at least thirty (30) days prior written notice of any material change in the County's insurance program. The City acknowledges and understands the County does not purchase Commercial General Liability ("CGL") insurance and therefore the County does not have the ability to add the City as an additional insured under such insurance. Should the County elect to cease insurance through the risk pool and purchase CGL insurance, County agrees to add the City as an additional insured on such insurance and to provide the City with an endorsement confirming the City as an additional insured on such policy or policies. The maintenance of, or lack thereof, of insurance coverage shall not limit the liability of the County to the City.

10.5 Survival. The obligations of this section shall survive the termination of this Agreement, except that insurance need not be maintained that covers events occurring after the termination of the Agreement.

Section 11. Term of Contract

11.1 Term. The Contract shall commence on the Effective Date and continue until terminated in accordance with Section 11.2.

11.2 Expiration and Termination. In the absence of agreement to the contrary, or termination as otherwise provided in this Agreement, this Agreement shall expire on December 31, 2044 ("Expiration Date"); provided, at least ten (10) years prior to the Expiration Date, either Party must notify the other Party in writing if the Party intends to (a) let the Agreement expire and terminate on the Expiration Date, or (b) negotiate changes in the terms and conditions of the Agreement and renew and extend the Agreement. If neither Party provides notice as provided in Section 11.2(a) or (b), the Agreement shall automatically be extended for an additional ten (10) year term on its existing terms and conditions commencing from the Expiration Date set forth above, subject to the ten (10) year notice provision prior to any new Expiration Date, and thereafter until the Agreement is terminated. Notwithstanding the foregoing, the County may terminate this Agreement at any time on at least ten (10) years prior written notice to the City. In addition, the City may terminate this Agreement at any time for cause, only as provided in Section 3.5.2, Section 4.2, or Section 7.7 of this Agreement, on at least ten (10) years prior written notice to the County.

Section 12. Dispute Resolution

12.1 Applicable Law. This Agreement, including all matters of interpretation, validity and performance, shall be governed and enforced in accordance with the laws of the State of Washington.

12.2 Informal Resolution of Disputes. Any dispute arising out of this Agreement, including without limitation issues relating to the validity or enforcement of the Agreement and billing disputes under Section 7.5, shall be referred to representatives of the Parties, who shall meet and make a good faith effort to resolve the dispute among themselves.

12.3 Notice of Formal Dispute. If the Parties have met to resolve the dispute informally and the dispute remains unresolved, then within thirty (30) days of the informal dispute resolution meeting, the Party raising the issue in dispute may invoke formal dispute resolution by providing the other Party with written notice of the dispute, including a brief description of the nature of the dispute and the Party's proposed resolution of the dispute. Notice given by the County of a billing dispute under Section 7.5 shall satisfy the notice requirement for billing disputes.

12.4 Alternative Dispute Resolution. Within fifteen (15) business days after notice is given the Parties shall meet to explore whether the dispute should be resolved by mediation or arbitration. By mutual agreement, the Parties may submit the dispute to non-binding mediation or to binding arbitration. If the Parties agree on arbitration, the arbitration shall be conducted in accordance with this subsection.

12.4.1 Any agreement to arbitrate shall be in writing signed by the Parties, shall conform to the requirements of this subsection, and shall specify the procedures governing the arbitration.

12.4.2 The arbitrator or arbitration panel selected shall have the power and authority to grant legal and equitable relief in accordance with Washington law and the provisions of this Agreement.

12.4.3 The decision of the arbitrator or of a majority of the arbitration panel members shall be final and binding. The costs of arbitration shall be borne equally by the Parties, unless the arbitrator or arbitration panel rules otherwise.

12.5 Litigation of Disputes. In the event that the dispute is not resolved informally or by mediation and the Parties do not agree to arbitration, either Party may commence a suit in Clallam County Superior Court on all claims related to the dispute.

12.6 Emergency Relief. Notwithstanding the other provisions of this Section 12, either Party may seek emergency or temporary equitable relief in Clallam County Superior Court concerning disputes governed by this Section 12 if imminent and irreparable harm to the Party will likely result if action is delayed until completion of the dispute resolution procedures. The Court may grant such temporary relief as may be required to preserve the status quo or otherwise prevent irreparable harm while the Parties pursue resolution of the dispute. The Court may require the Party requesting relief to give such security as the Court deems necessary for the payment of costs and damages that may be incurred by the other Party resulting from temporary relief wrongfully granted.

Section 13. General Provisions

13.1 Notice. Whenever written notice is required by this Agreement, except for notice to cure or notice to terminate, the notice may be given to the following representatives by actual delivery, by United States mail, or by electronic mail addressed to the respective Party at the following addresses or a different address hereafter designated in writing by the Party:

CITY
City Manager
152 W. Cedar Street
Sequim, WA 98382

COUNTY
County Administrator
223 East 4th Street
Port Angeles, WA 98362

The date of notice shall be deemed to be the date of actual delivery in person or by electronic mail, or the postmarked date if notice is by United States mail. Notice to Cure or notice of termination must be accomplished by actual delivery or by both first-class mail and certified mail (with return receipt requested) deposited with the United States Postal Service. In these cases the date of the notice shall be the date received.

13.2 Severability. The purpose of this Agreement is to provide for long-term wastewater disposal, planning and certainty for both Parties. It is the intent of the Parties that if

any provision of this Agreement or its application is held by a court of competent jurisdiction to be illegal, invalid or void, the validity of the remaining provisions of the Agreement or its application shall not be affected. The remaining provisions shall continue in full force and effect, and the rights and obligations of the Parties shall be construed and enforced as if the Agreement did not contain the particular invalid provision; however, if the invalid provision or its application is found by a court of competent jurisdiction to be substantive and to render the performance of the remaining provisions unworkable and non-feasible, or is found to seriously affect the consideration and is inseparably connected to the remainder of the Agreement, the entire Agreement shall be null and void.

13.2.1 Agreement Contingent on DOE Approval. This agreement is contingent on DOE approval of the Carlsborg Wastewater Facilities Plan Amendment ("Amendment") submitted in June 2014, and other agreements deemed necessary by DOE to allow delivery of Carlsborg wastewater to the City in lieu of constructing a treatment plant in Carlsborg. If the DOE response to the Amendment prevents the County from delivering wastewater to the City, or if the DOE imposes conditions that substantially change the economic viability of delivering wastewater to the City as determined by the County, then this entire Agreement shall be null and void. In that case, any payments the County has paid to the City prior to the DOE decision shall be refunded to the County within ninety (90) calendar days of DOE's decision or as agreed upon in writing by the Parties.

13.3 No Joint Venture - Individual Liability. This is not an agreement of joint venture or partnership, and no provisions of this Agreement shall be construed so as to make the City individually or collectively a partner or joint venturer with the County. Neither Party is an agent of the other. Neither the City nor the County shall be liable for the acts of the other in any representative capacity whatsoever.

13.4 Complete Agreement. This Agreement represents the entire agreement between the Parties concerning this subject matter. The Agreement may be amended as provided herein, or as otherwise agreed to by the legislative bodies of both Parties.

13.5 Venue, Jurisdiction and Specific Performance. In the event of litigation between the Parties, venue and jurisdiction shall lie with the Clallam County Superior Court of the State of Washington. The Parties shall be entitled to specific performance of the terms and conditions of this Agreement.

13.6 Default Other Than Payment Default. In the event of default other than on payment obligations addressed in Section 7, the non-defaulting Party shall issue written notice to the other Party setting forth the nature of the default. The defaulting Party shall use its best efforts to cure the default within ninety (90) calendar days. If such default cannot be reasonably cured within such ninety (90) day period, the defaulting party shall, upon written request prior to the expiration of the ninety (90) day period, be granted an additional sixty (60) calendar days to cure the default.

13.7 Force Majeure. The time periods for the Parties performance under any provisions of this Agreement shall be extended for a reasonable period of time during which the respective Party's performance is prevented, in good faith, due to fire, flood, earthquake, lockouts, strikes, embargoes, acts of God, war or civil disobedience. If this provision is invoked, the Parties agree to immediately take all reasonable steps to alleviate, cure, minimize or avoid the cause preventing such performance, at their respective sole cost and expense.

13.8 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns, provided the County shall not have the right to assign its rights and obligations in this Agreement without the City's prior written approval of any such proposed assignment, such approval not to be unreasonably withheld.

13.9 Recitals Incorporated by Reference. The Recitals set forth in Section 1 above are hereby incorporated in this Agreement in full by this reference.

13.10 No Third Party Beneficiaries. Except as expressly set forth in this Agreement, nothing in this Agreement is intended to confer upon any person or entity, other than the Parties hereto, any rights, benefits, privileges or obligations. No such third-party shall have any right to enforce any of the terms of this Agreement unless expressly stated otherwise.

13.11 Waiver. A waiver by either Party of any terms or conditions of this Agreement shall not be deemed or construed to be a waiver of any other term or condition, nor shall the waiver of any breach or default by either Party under the Agreement be deemed or construed to constitute a waiver of any subsequent breach or default, whether of the same or any other term or condition of this Agreement.

13.12 Exhibits. Exhibits A, B, and C are attached and incorporated into this Agreement in full by this reference.

13.13 Effective Date. This Agreement and its terms and conditions shall be effective on the date by which the Agreement is signed by both Parties ("Effective Date").

13.14 Recording. This Agreement shall be recorded with the Clallam County Auditor following its approval and execution by the Parties.

IN WITNESS WHEREOF, the Parties hereby execute this Agreement.

CITY OF SEQUIM

By: Candace Pratt

Title: Mayor

Date: 11/24/14

APPROVED AS TO FORM:

City Attorney

CLALLAM COUNTY

APPROVED this 24th day of November 2014

County Prosecutor William Payne

BOARD OF CLALLAM COUNTY COMMISSIONERS

Michael C. Chapman, Chair

Jim McEntire

Howard V. Doherty, Jr.

ATTEST:

Trish Holden

Trish Holden, CMC, Clerk of the Board

EXHIBIT A

Map and Table Identifying Transmission Route and Carlsborg Transmission Percentages

EXHIBIT A: Map and Table of Transmission Route

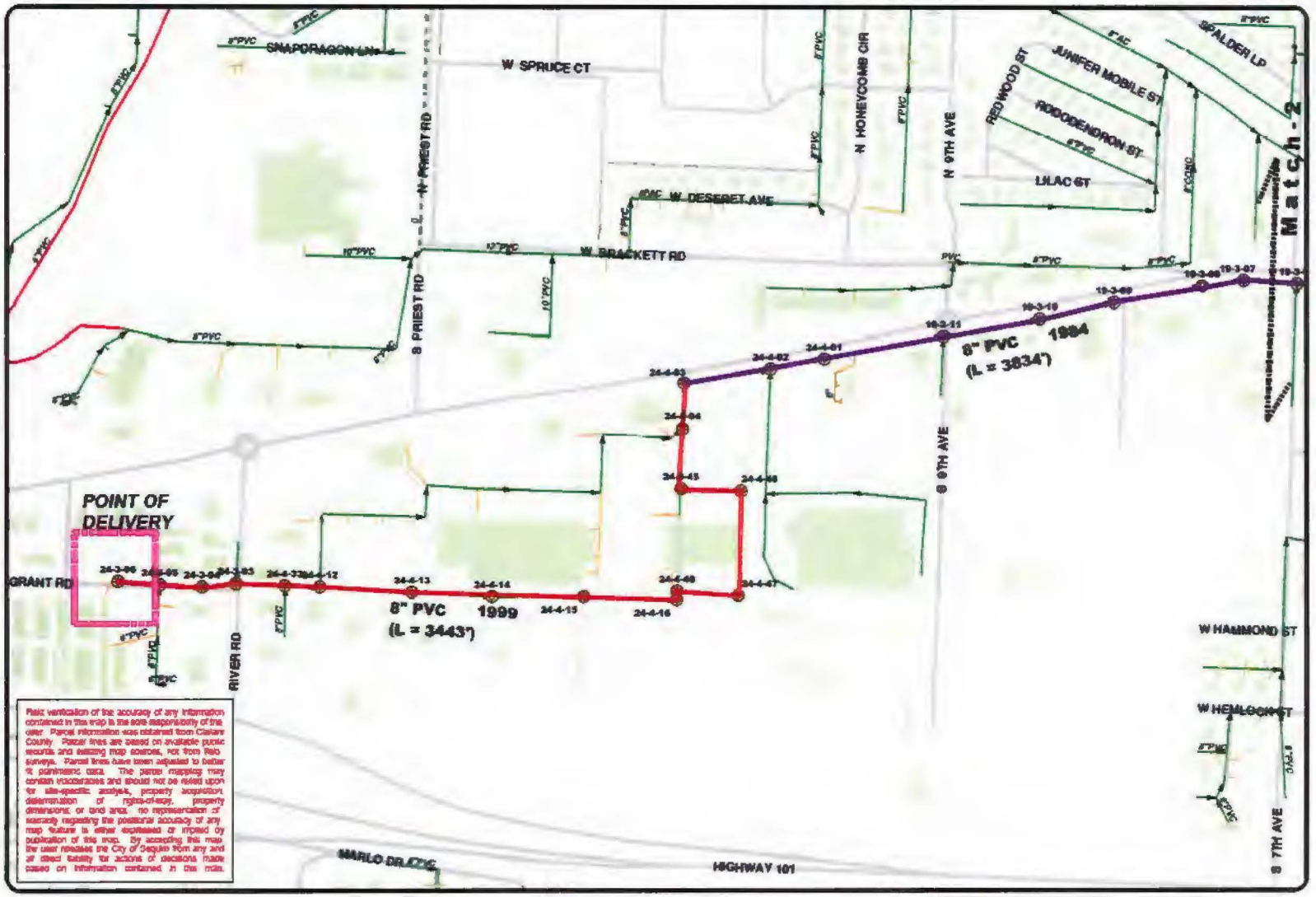


EXHIBIT A: Transmission Route Map

560 280 0 560 Feet

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EXHIBIT A: Map and Table of Transmission Route

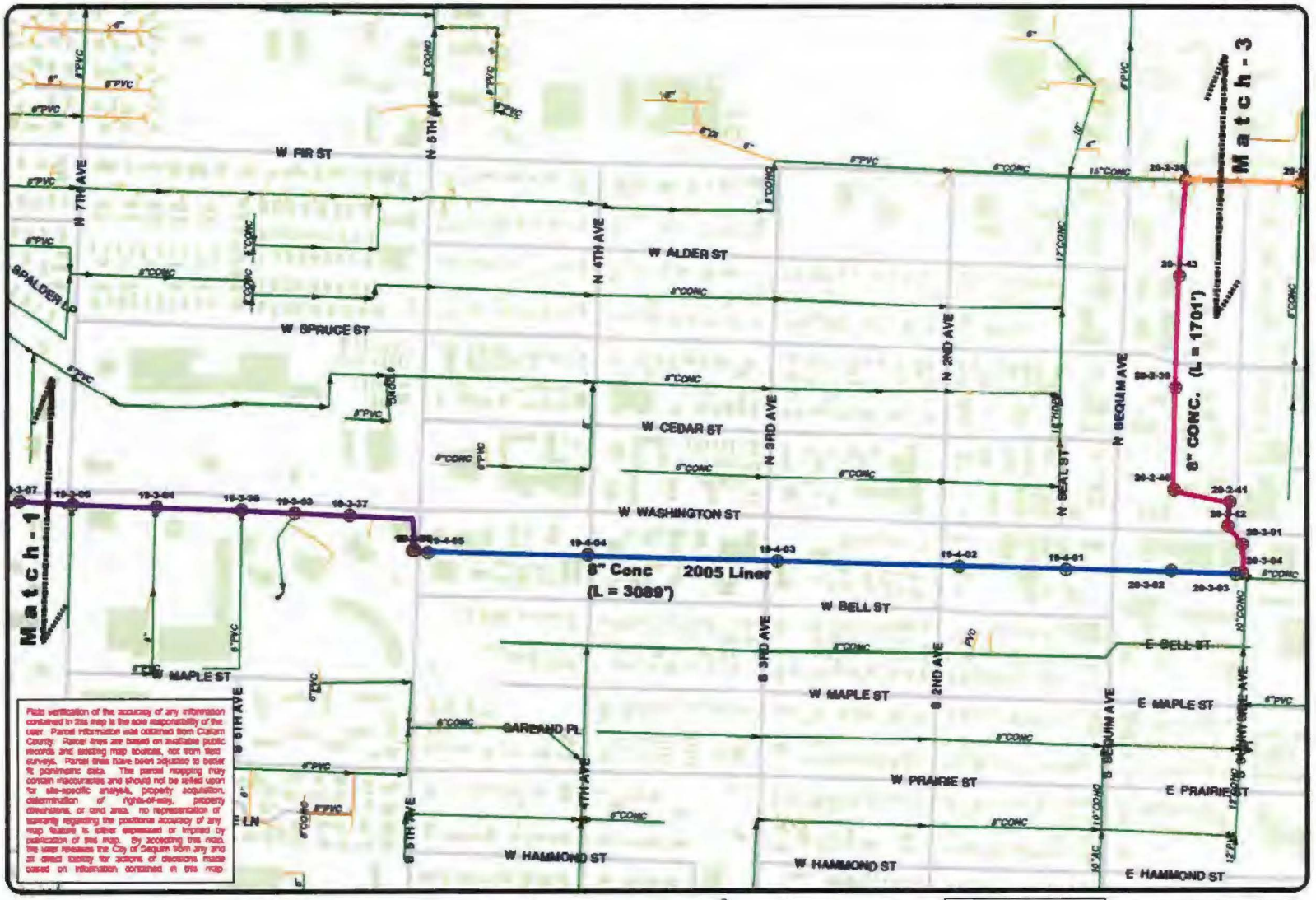


EXHIBIT A: Transmission Route Map

560 280 0 560 Feet

SEQUIM

Page: 2 / 4

Printed Date: 11/19/2014

EXHIBIT A: Map and Table of Transmission Route



EXHIBIT A: Transmission Route Map

560 280 0 560 Feet

CITY OF SEQUIM

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Printed Date: 11/20/2014

EXHIBIT A: Map and Table of Transmission Route



EXHIBIT A: Transmission Route Map

Table Identifying Transmission Route and Carlsborg Transmission Percentages

Exhibit A: Carlsborg Percentage of Transmission Route Projected Flows								
From Manhole	To Manhole	Direction of Flow	Direction & Nearest Street Alignment	Diameter (inches)	Pipe Material	Length (lineal ft.)	Total Flow (gpm)	Carlsborg Transmission Percentages
Source: Gray & Osborne, Pipe Replacement_020314.xlsx, with pipe lengths from City GIS. Assumes 227 gpm Peak Hour Flow from Carlsborg in 2030, per Teble 2-3, Carlsborg Wastewater Facilities Plan Amendment.								
24-3-06	24-4-47	East	Grant Road/Priv. Prop.	8	PVC	2,404	268	84.6%
24-4-47	24-4-46	North	Private Properly	8	PVC	398	268	84.6%
24-4-46	24-4-45	West	Private Properly	8	PVC	240	268	84.6%
24-4-45	24-4-03	North	Private Properly	8	PVC	401	268	84.6%
24-4-03	19-3-04	East	W. Washington St.	8	PVC	2,685	268	84.6%
19-3-04	19-4-05	East	W. Washington/S. 5th	8	PVC	1,149	268	74.3%
19-4-05	20-3-04	East	Alley W. Bell/Etta St.	8	Insituform	3,089	306	74.3%
20-3-04	20-3-01	North	S. Sunnyside Ave.	12	Concrete	110	1,088	74.3%
20-3-01	20-2-38	North	S. Sunnyside Ave.	12	Concrete	1,591	1,088	20.9%
20-2-38	20-2-34	East	E. Fir St.	15	Concrete	440	1,477	15.4%
20-2-34	20-2-29	East	E. Fir St.	15	Concrete	660	1,529	14.8%
20-2-29	20-2-25	East	E. Fir St.	15	Concrete	332	1,546	14.7%
20-2-25	20-2-17	East	E. Fir St.	15	Concrete	339	1,554	14.6%
20-2-17	20-2-05	East	E. Fir St.	15	Concrete	654	1,561	14.5%
20-2-05	20-2-04	North	N. Brown Rd.	15	Concrete	313	1,589	14.3%
20-2-04	20-1-19	East	Alley E. Willow St.	15	Concrete	1,321	2,256	10.1%
20-1-19	20-1-07	North	N. Blake Ave.	15	Concrete	288	2,659	8.5%
20-1-07	21-2-01	East	West of WRF	18	Concrete	1,394	2,659	8.5%
21-2-01	21-2-02	East	West of WRF	18	PVC	519	2,683	8.5%
21-2-02	21-2-22	East	West of WRF	18	DI	744	2,683	8.5%
21-2-22	21-2-23	East	West of WRF	18	PVC	1,349	2,683	8.5%
21-2-23	Headworks	East	West of WRF	18	PVC	1,024	2,683	8.5%
Total						21,444		
Weighted Average Carlsborg Percentage of Transmission Route								45.39%
Total Sequim Collection System (lineal feet)						385,440		
Transmission Route as % of Total Collection System								5.56%
Carlsborg Percentage of Entire City Collection System								**2.52%**

EXHIBIT B

Examples Showing Calculation of O&M Charges:

1. Treatment O&M Charge
2. Annual Pipe Charge
3. Estimated vs. Adjusted O&M Charges

EXHIBIT B: Examples Showing Calculation of O&M Charges

1. Treatment O&M Charge

Calculation of Treatment O&M Charge Example	City Expenditures	Exclude	Applicable City Expenditures
Sequim Treatment O&M Cost Basis			
Direct:			
City B&O Tax - Treatment	184,665	(184,665)	-
Salaries	224,345		224,345
OT	13,417		13,417
Call Wages	14,252		14,252
L&I Ins	8,498		8,498
FICA/Medicare	19,621		19,621
PERS	20,535		20,535
Health Ins	55,037		55,037
Other Benefits	8,747		8,747
Supplies/Chemicals	116,328		116,328
Fuel	45,027		45,027
Small Tools/Minor Equip	5,772		5,772
Prof Svcs	49,564		49,564
Travel & Meals	23		23
Utilities	71,664		71,664
Repair & Maint	47,095		47,095
Misc Svcs & Fees	9,937		9,937
State Utility Taxes	47,210	(47,210)	-
Reuse Prof Svcs	155,832		155,832
Subtotal	1,097,570	(231,874)	865,696
Share of Utility Mgr Salary	26,786		26,786
Total Treatment O&M Direct	1,124,357	(231,874)	892,482
Indirect:			
Transfer - Allocated Central Services	691,964		691,964
Capital Replacement Reserve	100,657	(100,657)	-
Debt Svc	629,895	(629,895)	-
Total Indirect	1,422,516	(730,552)	691,964
Total Treatment O&M Cost Basis (annual $)	2,546,873	(962,426)	**1,584,447**
O&M Markup Percentage			25.00%
O&M Markup - Treatment			396,112
Treatment O&M Cost Basis plus O&M Markup			1,980,558
Total Flow to WRF (gallons/year)			204,112,542
Treatment O&M Rate ($/gallon, rounded off to four decimal places)			**$ 0.0097**
Carlsborg Actual Flows in example month (gal)			680,375
Treatment O&M Charge in example month			**$ 6,600**
Carlsborg Actual Flows in example year (gal)			9,185,064
Treatment O&M Charge in example year			**$ 89,095**

2. Annual Pipe Charge

Calculation of Pipe Charge Example	City Expenditures	Exclude	Applicable City Expenditures
Sequim Collection System O&M Cost Basis			
Direct:			
Billing Supplies	$ 1,530	$ (1,530)	$ -
Admin Communications	8,695		8,695
Admin Repair & Maint	3,611		3,611
Admin Intergov Prof Svcs	15,131		15,131
City B&O tax - Admin	**89,156**	**(89,156)**	-
Trans Salaries	150,127		150,127
Trans OT	9,407		9,407
Trans Call Wages	7,300		7,300
Trans L&I Ins	4,657		4,657
Trans FIC/Medicare	13,381		13,381
Trans PERS	13,708		13,708
Trans Health Ins	36,582		36,582
Trans Supplies	24,298		24,298
Trans Inv for Sale (BFP)	1,902		1,902
Trans Tools & Minor Equip	28,161		28,161
Trans Prof Svcs	20,766		20,766
Trans Travel & Meals	1,508		1,508
Pump Station Utilities	17,131	(17,131)	-
Trans Repair & Maint	36,283		36,283
Trans Misc Svcs & Fees	13,535		13,535
State Utility Taxes	19,252	(19,252)	-
Subtotal	516,122	(127,070)	389,052
Share of Util Manager Salary	26,786		26,786
Total Sewer O&M Direct	542,908	(127,070)	415,839
Indirect:			
Transfer - Allocated Central Services	334,123		334,123
Capital - Utility Repair	319,163	(319,163)	-
Capital Transfer to Stormwater	**24,000**	**(24,000)**	-
Operating Transfer to Stormwater	55,000	(55,000)	-
Capital Replacement Reserve	48,603	(48,603)	-
Total Indirect	780,889	(446,766)	334,123
Total Collection/Transmission Costs	1,323,797	(573,835)	749,961
Exclude:			
Pump Station Maintenance Labor	(24,200)		(24,200)
Sewer Share of Customer Service Labor	(30,470)		(30,470)
Total Collection System O&M Cost Basis (annual $)	$ 1,269,127	$ (573,835)	$ 695,291
O&M Markup Percentage			25.00%
O&M Markup - Collection System			173,823
Collection System O&M Cost Basis plus O&M Markup			$ 869,114
Carlsborg Percentage of Entire City Collection System:			
As of September 2014			
Total Sequim Collection System (lf)			385,440
Shared pipes along Carlsborg transmission route (lf)			21,444
Shared pipes as % of total City collection system (rounded off)			5.56%
Average projected Carlsborg % of flow in shared pipes (rounded off)			45.39%
Carlsborg Percentage of Entire City Collection System (rounded off)			**2.52%**
Annual Pipe Charge for Example Year			$ 21,902
Monthly Pipe Charge during Example Year			$ 1,825

3. Estimated vs. Adjusted O&M Charges

Estimated vs. Adjusted O&M Charge Example	Estimate	Actual/ Corrected	Adjustment
Treatment O&M Charge			
Treatment O&M Cost Basis	1,600,000	1,584,447	
O&M Markup %	25.00%	25.00%	
O&M Markup	400,000	396,112	
Treatment O&M Basis plus O&M Markup	2,000,000	1,980,558	
Total Flow to WRF (gallons/year)	210,000,000	204,112,542	
Treatment O&M Rate ($/gallon)	$ 0.009524	$ 0.009703	
Carlsborg Flows (gallons/year)	9,185,064	9,185,064	
Treatment O&M Charge	$ 87,477	$ 89,125	$ 1,648
Annual Pipe Charge			
Collection System O&M Cost Basis	730,000	695,291	
O&M Markup %	25.00%	25.00%	
O&M Markup	182,500	173,823	
Collection System O&M Cost Basis plus O&M Markup	912,500	869,114	
Carlsborg Pct of Entire City Collection System	2.52%	2.52%	
Annual Pipe Charge	$ 22,995	$ 21,902	$ (1,093)
Combined O&M Charges			
Total O&M Charges	$ 110,472	$ 111,027	$ 555
Monthly Adjustment for Next 12 Months			$ 46

EXHIBIT C

Calculation of Capacity Charges and Explanation of Accrued Interest Factor:

1. Calculation of Initial Capacity Charge for Transmission Route
2. Calculation of Initial Capacity Charge for Treatment Assets and Total Initial Capacity Charge
3. Hypothetical Calculation of Future Capacity Charges if Capacity Reservation is Increased
4. Hypothetical Calculation of Future Capacity Refund Payment if Capacity Reservation is Decreased
5. Explanation of Accrued Interest Factor

1. Calculation of Initial Capacity Charge for Transmission Route

Assumed Unit Replacement Costs by Pipe Size

Actual Unit Cost of Collection System Extension		
Source: City bid records		
Length of Sewer Extension		1,800 LF
Cost of Pipe:		
8" pipe		$ 144,000
Sales Tax	8.40%	12,096
Total Cost of Pipe		$ 156,096
Cost of Pipe per LF		$ 87
Cost of Installation & Project Mgt:		
Installation Costs		$ 163,700
Sales Tax	8.40%	13,751
Engineer/Project Admin	25%	83,387
Total Installation/Proj Mgt Cost		$ 260,838
Installation/Proj Mgt Cost per LF		$ 145
Total Cost of Sewer Extension		$ 416,934
Avg Replacement Cost/LF (8" pipe)		$ 232

Source of Pipe Unit Costs: Carlsborg Wastewater Facilities Plan Amendment, Appendix F (pp. 341, 349)

Pipe Diameter	Pipe Unit Costs	Cost Factor	Pipe Cost/LF	Installation Cost/LF	Est. Cost/LF Sewer Line
8"	$55	1.00	$87	$145	$232
12"	75	1.36	118	145	263
15"	80	1.45	126	145	271
18"	85	1.55	134	145	279

Estimated Original Cost by Pipe Segment

Exhibit C - Transmission Route From Manhole	To Manhole	Direction of Flow	Direction & Nearest Street Alignment	Length (lineal ft.)	Assumed Year Installed	Assumed Replacemt Cost/LF	Est 2014 Replacemt Cost ($)	ENR Inflation Factor	Estimated Original Cost ($)
Source: City of Sequim GIS data. Installation date of 1960 is assumed average for sewer lines installed 1950-1970. Actual cost of 2005 Insituform lining of W. Bell line is shown. Manhole 21-2-22 to 21-2-23 segment replaced by WSDOT in 2000 at no cost to City.									
24-3-06	24-4-47	East	Grant Road/Priv. Prop.	2,404	1999	$ 232	$ 556,838	0.613	$ 341,487
24-4-47	24-4-46	North	Private Property	398	1999	232	92,189	0.613	56,536
24-4-46	24-4-45	West	Private Property	240	1999	232	55,591	0.613	34,092
24-4-45	24-4-03	North	Private Property	401	1999	232	92,884	0.613	56,962
24-4-03	19-3-04	East	W. Washington St.	2,685	1984	232	621,926	0.420	260,961
19-3-04	19-4-05	East	W. Washington/S. 5th	1,149	1984	232	266,143	0.420	111,674
19-4-05	20-3-04	East	Alley W. Bell/Etta St.	3,089	2005				153,249
20-3-04	20-3-01	North	S. Sunnyside Ave.	110	1960	263	29,016	0.083	2,420
20-3-01	20-2-38	North	S. Sunnyside Ave.	1,591	1960	263	418,694	0.083	34,917
20-2-38	20-2-34	East	E. Fir St.	440	1960	271	119,261	0.083	9,946
20-2-34	20-2-29	East	E. Fir St.	660	1960	271	178,919	0.083	14,921
20-2-29	20-2-25	East	E. Fir St.	332	1960	271	89,988	0.083	7,504
20-2-25	20-2-17	East	E. Fir St.	339	1960	271	91,774	0.083	7,653
20-2-17	20-2-05	East	E. Fir St.	654	1960	271	177,363	0.083	14,791
20-2-05	20-2-04	North	N. Brown Rd.	313	1960	271	84,813	0.083	7,073
20-2-04	20-1-19	East	Alley E. Willow St.	1,321	1960	271	358,054	0.083	29,860
20-1-19	20-1-07	North	N. Blake Ave.	288	1960	271	78,062	0.083	6,510
20-1-07	21-2-01	East	West of WRF	1,394	1960	279	388,831	0.083	32,426
21-2-01	21-2-02	East	West of WRF	519	1960	279	144,765	0.083	12,073
21-2-02	21-2-22	East	West of WRF	744	1960	279	207,525	0.083	17,306
21-2-22	21-2-23	East	West of WRF	1,349	2000				-
21-2-23	Headworks	East	West of WRF	1,024	1960	279	285,626	0.083	23,820
Total				21,444			$ 4,338,262		$ 1,236,179

1. Calculation of Initial Capacity Charge for Transmission Route, continued

Carlsborg Share of Net Book Value by Pipe Segment

Exhibit C - Transmission Route				Estimated	Assumed	Age	Net Book	Carlsborg	Carlsborg
From Manhole	To Manhole	Direction of Flow	Direction & Nearest Street Alignment	Original Cost ($)	Useful Life	In 2015	Value as of 2015	Transmission Percentages	Share of Net Book Value
24-3-06	24-4-47	East	Grant Road/Priv. Prop.	$ 341,487	60	16	$ 250,424	84.6%	$ 211,858
24-4-47	24-4-46	North	Private Property	56,536	60	16	41,459	84.6%	35,075
24-4-46	24-4-45	West	Private Property	34,092	60	16	25,001	84.6%	21,151
24-4-45	24-4-03	North	Private Property	56,962	60	16	41,772	84.6%	35,339
24-4-03	19-3-04	East	W. Washington St.	260,961	60	31	126,131	84.6%	106,707
19-3-04	**19-4-05**	**East**	**W. Washington/S. 5th**	**111,674**	**60**	**31**	**53,976**	**74.3%**	**40,080**
19-4-05	20-3-04	East	Alley W. Bell/Etta St.	153,249	60	10	127,708	74.3%	94,830
20-3-04	20-3-01	North	S. Sunnyside Ave.	2,420	60	55	202	74.3%	150
20-3-01	20-2-38	North	S. Sunnyside Ave.	34,917	60	55	2,910	20.9%	607
20-2-38	20-2-34	East	E. Fir St.	9,946	60	56	829	15.4%	127
20-2-34	20-2-29	East	E. Fir St.	14,921	60	55	1,243	14.8%	185
20-2-29	20-2-25	East	E. Fir St.	7,504	60	55	625	14.7%	92
20-2-25	20-2-17	East	E. Fir St.	7,653	60	55	638	14.6%	93
20-2-17	20-2-05	East	E. Fir St.	14,791	60	55	1,233	14.5%	179
20-2-05	20-2-04	North	N. Brown Rd.	7,073	60	55	589	14.3%	84
20-2-04	20-1-19	East	Alley E. Willow St.	29,860	60	55	2,488	10.1%	250
20-1-19	20-1-07	North	N. Blake Ave.	6,510	60	55	542	8.5%	46
20-1-07	21-2-01	East	West of WRF	32 426	60	55	2 702	8.5%	231
21-2-01	**21-2-02**	**East**	**West of WRF**	**12,073**	**60**	**55**	**1 006**	**8.5%**	**85**
21-2-02	21-2-22	East	West of WRF	17,306	60	55	1,442	8.5%	122
21-2-22	21-2-23	East	West of WRF	-	60	15	-	8.5%	-
21-2-23	Headworks	East	West of WRF	23,820	60	55	1,985	8.5%	168
Total				$ 1,236,179			$ 684,905		
Initial Capacity Charge for Transmission Route									**$ 547,460**

2. Calculation of Initial Capacity Charge for Treatment Assets and Total Initial Capacity Charge

Carlsborg Initial Capacity Charge
Pre-2014 Sequim Wastewater Treatment Assets
Estimated Original Cost less Depreciation as of December 2015

Exhibit C - Treatment Assets Pre-2014 Asset	Year Installed	Original Cost	Est. Useful Life	Annual Deprec %	Age in 2015	Net Book Value as of 2015
Sources: Gray & Osborne November 2011 Technical Memo Appendix B, subsequent City accounting records.						
Treatment Assets:						
1984 Plant Improvements:	1984	1,224,364	50	2.0%	31	465,258
New Headworks						
Secondary Splitter Box						
New Lab Building 2						
New Oxidation Ditch						
New Clarifier 1						
Waste Sludge Pump Building						
Tank Conversions						
Chlorine Tank						
Aerobic Digesters	1993	600,000	40	2.5%	22	270,000
Building Conversion	1993	150,000	50	2.0%	22	84,000
Clarifier #2	1993	620,000	50	2.0%	22	347,200
RAS Pumping Station	1993	60,000	40	2.5%	22	27,000
Other 1993 Projects	1993	897,000	40	2.5%	22	403,650
Flow Equalization Basin	1997	442,000	50	2.0%	18	282,880
Flow Diversion	1997	70,000	40	2.5%	18	38,500
Coagulation Facility	1997	676,000	40	2.5%	18	371,800
Holding Pond	1997	321,000	40	2.5%	18	176,550
Control Building	1997	233,000	50	2.0%	18	149,120
Backwash Basin	1997	42,000	50	2.0%	18	26,880
UV Basin	1997	207,000	40	2.5%	18	113,850
Other 1997 Projects	1997	319,000	40	2.5%	18	175,450
Biosolids Improvements	2003	1,107,165	30	3.3%	12	664,299
Phase 1A & 1B WRF Improvements	2010	9,755,000	30	3.3%	5	8,129,167
Filtration Basin Design 2011	2011	24,028	40	2.5%	4	21,625
Carlsborg Engineering	2011	17,985	30	3.3%	4	15,587
Miscellaneous Treatment Projects	2011	11,908	40	2.5%	4	10,717
General Sewer Plan	2012	88,150	6	16.7%	3	44,075
Filtration Basin Design 2012	2012	31,920	40	2.5%	3	29,526
Filtration Basin Construction 2012	2012	205,545	40	2.5%	3	190,129
WRF Server Room	2012	38,117	40	2.5%	3	35,258
Digester Engineering	2013	70,067	40	2.5%	2	68,564
Filtration Basin Construction 2013	2013	401,315	40	2.5%	2	381,249
Total Pre-2014 Treatment Assets		$17,612,564				$12,520,335
Total Projected Treatment Capacity (gpd)						1,670,000
Net Book Value of Pre-2014 Assets per gpd Capacity						$ 7.50
Initial Capacity Reservation (gpd)						105,000
Initial Capacity Charge for Treatment Assets						**$ 787,207**
Initial Capacity Percentage						*6.29%*
Initial Capacity Charge for Transmission Route Assets						$ 547,460
Total Initial Capacity Charge						**$ 1,334,666**

3. Hypothetical Calculation of Future Capacity Charges if Capacity Reservation is Increased *(applies to Treatment Assets only)*

Exhibit C - Treatment Assets				Hypothetical Future Capacity Charges			
	Year	Original	Est. Useful	Net Book Value of Pre-2014 Assets			
Pre-2014 Asset	Installed	Cost	Life	2020	2025	2035	2045
Treatment Assets:							
1984 Plant Improvements:	1984	1,224,364	50	342,822	220,386	-	-
New Headworks							
Secondary Splitter Box							
New Lab Building 2							
New Oxidation Ditch							
New Clarifier 1							
Waste Sludge Pump Building							
Tank Conversions							
Chlorine Tank							
Aerobic Digesters	1993	600,000	40	195,000	120,000	-	-
Building Conversion	1993	150,000	50	69,000	54,000	24,000	-
Clarifier #2	1993	620,000	50	285,200	223,200	99,200	-
RAS Pumping Station	1993	60,000	40	19,500	12,000	-	-
Other 1993 Projects	1993	897,000	40	291,525	179,400	-	-
Flow Equalization Basin	1997	442,000	50	238,680	194,480	106,080	17,680
Flow Diversion	1997	70,000	40	29,750	21,000	3,500	-
Coagulation Facility	1997	676,000	40	287,300	202,800	33,800	-
Holding Pond	1997	321,000	40	136,425	96,300	16,050	-
Control Building	1997	233,000	50	125,820	102,520	55,920	9,320
Backwash Basin	1997	42,000	50	22,680	18,480	10,080	1,680
UV Basin	1997	207,000	40	87,975	82,100	10,350	-
Other 1997 Projects	1997	319,000	40	135,575	95,700	15,950	-
Biosolids Improvements	2003	1,107,165	30	479,772	295,244	-	-
Phase 1A & 1B WRF Improvements	2010	9,755,000	30	6,503,333	4,877,500	1,625,833	-
Filtration Basin Design 2011	2011	24,028	40	18,622	15,618	9,611	3,604
Carlsborg Engineering	2011	17,985	30	12,590	9,592	3,597	-
Miscellaneous Treatment Projects	2011	11,908	40	9,229	7,740	4,763	1,786
General Sewer Plan	2012	88,150	6	-	-	-	-
Filtration Basin Design 2012	2012	31,920	40	25,536	21,546	13,566	5,586
Filtration Basin Construction 2012	2012	205,545	40	164,436	138,743	87,357	35,970
WRF Server Room	2012	38,117	40	30,494	25,729	16,200	6,670
Digester Engineering	2013	70,067	40	57,805	49,047	31,530	14,013
Filtration Basin Construction 2013	2013	401,315	40	331,085	280,921	180,592	80,263
Total Pre-2014 Treatment Assets		$17,612,564		$9,900,152	$ 7,324,045	$ 2,347,979	$ 176,574
Hypothetical Future Capacity Charges (applies to Treatment only):							
Assumed WRF Treatment Capacity (gpd)				1,670,000	1,670,000	2,240,000	2,240,000
Net Book Value of Pre-2016 Assets per gpd				$ 5.93	$ 4.39	$ 1.05	$ 0.08
Assumed Carlsborg Capacity Reservation (gpd)				105,000	130,000	160,000	180,000
Incremental Capacity Reservation				-	25,000	30,000	20,000
Future Capacity Charge				**$ -**	**$ 109,641**	**$ 31,446**	**$ 1,577**
Future Carlsborg Capacity Percentages				*6.3%*	*7.8%*	*7.1%*	*8.0%*

4. Hypothetical Calculation of Future Capacity Refund Payment if Capacity Reservation is Decreased *(applies to Treatment Assets only)*

Exhibit C - Capacity Refund Payment Pre-2014 Asset	Year Installed	Original Cost	Est. Useful Life	Annual Deprec %	Age in 2025	Net Book Value as of 2025
Net Book Value of Pre-2014 Treatment Assets included in Capacity Charges:						
1984 Plant Improvements	1984	1,224,364	50	2.0%	41	220,386
Aerobic Digesters	1993	600,000	40	2.5%	32	120,000
Building Conversion	1993	150,000	50	2.0%	32	54,000
Clarifier #2	1993	620,000	50	2.0%	32	223,200
RAS Pumping Station	1993	60,000	40	2.5%	32	12,000
Other 1993 Projects	1993	897,000	40	2.5%	32	179,400
Flow Equalization Basin	1997	442,000	50	2.0%	28	194,480
Flow Diversion	1997	70,000	40	2.5%	28	21,000
Coagulation Facility	1997	676,000	40	2.5%	28	202,800
Holding Pond	1997	321,000	40	2.5%	28	96,300
Control Building	1997	233,000	50	2.0%	28	102,520
Backwash Basin	1997	42,000	50	2.0%	28	18,480
UV Basin	1997	207,000	40	2.5%	28	62,100
Other 1997 Projects	1997	319,000	40	2.5%	28	95,700
Biosolids Improvements	2003	1,107,165	30	3.3%	22	295,244
Phase 1A & 1B WWTF Improvements	2010	9,755,000	30	3.3%	15	4,877,500
Filtration Basin Design 2011	2011	24,028	40	2.5%	14	15,618
Carlsborg Engineering	2011	17,985	30	3.3%	14	9,592
Miscellaneous Treatment Projects	2011	11,908	40	2.5%	14	7,740
General Sewer Plan	2012	88,150	6	16.7%	13	-
Filtration Basin Design 2012	2012	31,920	40	2.5%	13	21,546
Filtration Basin Construction 2012	2012	205,545	40	2.5%	13	138,743
WRF Server Room	2012	38,117	40	2.5%	13	25,729
Digester Engineering	2013	70,067	40	2.5%	12	49,047
Filtration Basin Construction 2013	2013	401,315	40	2.5%	12	280,921
Total Pre-2014 Treatment Assets		$17,612,564				$ 7,324,045

4. Hypothetical Calculation of Future Capacity Refund Payment if Capacity Reservation is Decreased, continued

Exhibit C - Capacity Refund Payment Pre-2014 Asset	Year Installed	Original Cost	Est. Useful Life	Annual Deprec %	Age in 2025	Net Book Value as of 2025
Net Book Value of Treatment Assets Funded by Capital Cost Shares: *Hypothetical capital expenditures from 2014 through 2025, for which Carlsborg will have paid a 6.29% capital cost share based on a 105,000 gpd Capacity Reservation. Assume reduction of capacity reservation is effective at the end of 2025, so that Carlsborg will still be responsible for 6.29% of the 2025 capital expenditures.*						
Aux Generator Loadbanks	2014	30,000	40	2.5%	11	21,750
WRF Headworks Modifications #1	**2014**	**270,000**	**40**	**2.5%**	**11**	**195,750**
Equalization Basin Aeration System	2014	54,000	40	2.5%	11	39,150
Grit Removal System Replacement	2014	280,000	40	2.5%	11	203,000
Lime Sludge Mixing Improvements	2015	111,000	40	2.5%	10	83,250
Replace WRF Recirculation Pump	2015	25,000	40	2.5%	10	18,750
Digester Aeration System Improvemts	2015	650,000	40	2.5%	10	487,500
Purchase New Land near WRF	2015	195,000	40	2.5%	10	146,250
Aerobic Digester Capacity Upgrades	2017	1,950,000	40	2.5%	8	1,560,000
Biosolids Handling & Distrib Ctr	2018	1,320,000	40	2.5%	7	1,089,000
WRF Headworks Modifications #2	2019	350,000	40	2.5%	6	297,500
WRF Pumping System Reconfiguration	2019	660,000	40	2.5%	6	561,000
Outfall Pipeline Repair/Replacement	2023	1,450,000	40	2.5%	2	1,377,500
Rapid Infiltration Basin Improvements	**2023**	**1,700,000**	**40**	**2.5%**	**2**	**1,615,000**
High Pressure Zone Expansion	2025	1,550,000	40	2.5%	0	1,550,000
Total Treatment Assets Funded by Capital Cost Shares						$ 9,245,400
Total Treatment Assets - Net Book Value 2025						16,569,445
Assumed Total Treatment Capacity (gpd)						1,670,000
Net Book Value of Treatment Assets per gpd Capacity						$ 4.39
Initial Capacity Reservation (gpd)						105,000
Assumed Revised Capacity Reservation (gpd)						95,000
Reduction in Capacity Reservation (gpd)						10,000
Capacity Refund Payment						**$ 43,857**
Revised Capacity Percentage						*5.69%*

So in this scenario, for the Capital Cost Share for the year 2025, the City would bill Carlsborg prior to March 31, 2026 as follows:

	Cost:	multiplied by:	
Capital Cost Share for 2025 capital expenditures	1,550,000	6.29%	$ 97,495
Plus accrued interest	97,495	0.75%	731
Total payment for Carlsborg share of 2025 capital			$ 98,226
Less credit for Capacity Refund Payment (reducing Capacity Reservation to 95,000 gpd)			(43,857)
Net Carlsborg capital payment to City in this scenario			$ 54,370

5. Explanation of Accrued Interest Factor

Referred to in Section 6.3.3

Calculation of Accrued Interest Factor

Assumptions:

Annual expenditure by City	$ 1,000
Annual interest rate	1.2%
Quarterly interest rate	0.30%

Quarter	Quarterly Expenditure	Quarterly Interest	Number of Periods	Accrued Interest
1Q	$ 250	$ 0.75	4	$ 3.00
2Q	$ 250	$ 0.75	3	$ 2.25
3Q	$ 250	$ 0.75	2	$ 1.50
4Q	$ 250	$ 0.75	1	$ 0.75
	$ 1,000			$ 7.50
Implied accrued interest rate				**0.75%**

In other words, if we assume a level stream of capital expenditures by the City throughout the year, and if we assume an annual interest rate of 1.2% (representing the City's foregone interest earnings), and if we assume that the City completes its year-end project accounting and bills the County by March 31 of the following year, then then a 0.75% markup on the Capital Cost Share will approximately compensate the City for accrued interest.

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CITY OF SEQUIM – CLALLAM COUNTY (CARLSBORG UGA)

SANITARY SEWER COLLECTION SYSTEM MAINTENANCE AGREEMENT

WHEREAS, Clallam County ("County") is the owner of a public sanitary sewer collection system within the Carlsborg Urban Growth Area of Clallam County; and

WHEREAS, the City of Sequim, a Washington municipal corporation ("City") owns and operates a sanitary sewer collection system including a Water Reclamation Facility within the City of Sequim; and

WHEREAS, the City and County entered into an Interlocal Agreement for Carlsborg Wastewater Disposal on November 24, 2014 wherein the City would accept sanitary sewage from the County's Carlsborg sanitary sewer collection system; and

WHEREAS, the County desires to enter into an agreement with the City for certain specified maintenance of the County's Carlsborg sanitary sewer collection system;

NOW, THEREFORE, in consideration of the mutual covenants and agreements between them, the parties agree as follows:

1. Definitions.

a." Carlsborg UGA Sanitary Sewer Collection System" (CUSSCS) means the County owned system of pipes, lift stations, fittings, valves, lines and all accessory equipment for the collection of sanitary sewage within the County's Carlsborg UGA and between the County's Carlsborg UGA and the connection to the City of Sequim sewer collection system within the City limits except for any private service lateral or side sewer.

2. Under the terms of this agreement, the City provides the following services:

   a. County CUSSCS maintenance, including the following:
      1) Routine operational checks of any lift stations;
      2) Maintenance and repair, including emergency call-out, on the County's CUSSCS
      3) Manpower, equipment and materials necessary for the maintenance and repair work;
      4) The same level of service in the County's Carlsborg UGA as it provides within the City;

3. Under the terms of this agreement, the County is responsible for the following:

a. The County will reimburse the City for all costs incurred in the maintenance of the County's Carlsborg UGA sanitary sewer collection system. These costs include all staff, administration, equipment rental using the most current FEMA equipment schedule, supplies, insurance premiums, and materials costs, plus a fringe benefit amount computed at forty-four percent (44%) of staff costs, plus an overhead amount computed at twenty-five percent (25%) of the total monthly incurred expenses, plus a premium amount computed at seven percent (7%) of the total monthly incurred expenses. The fringe benefit and overhead percentage amounts will change as the current City rate schedule changes.

b. The City will submit a bill to the County for maintenance services on a monthly basis no later than the 15th of the month following the services rendered. The County will make payment of this bill within thirty (30) days. Bills paid after thirty (30) days incur a 1% interest/penalty charge for each month or fraction thereof that payment is delayed.

c. The County must notify the City of any concerns or problems within forty-five (45) days of receiving a bill for services. Thereafter the bill shall stand as presented.

d. The County must provide the City with accurate as-built drawings of the entire collection system, which must be stamped and signed by a licensed Washington State engineer.

e. The County agrees that the City is not responsible for any sewage backups or backflow within the CUSSCS during jetting/cleaning operations where a back flow valve is not installed, is not installed correctly, or is defective.

f. The County must provide locate services and obtain all necessary permits required for maintenance and repair of the CUSSCS;

g. The County must perform inspection of taps made to the County's CUSSCS;

h. The County agrees to administer the City's current Wastewater Source Control Program in the County's Carlsborg UGA as now enacted or as amended.

4. The City will maintain liability insurance coverage on its employees and the City for all work performed on the County's CUSSCS. City and County are each members of a risk pool authorized under RCW 48.62. Each party agrees to provide the other with its risk pool's Notice to Additional Insured/Evidence of Coverage or equivalent. Each party agrees to notify the other within 30 calendar days' prior written notice of any material change in its insurance program.

5. Maintenance and Operations.

a. Maintenance and repair work performed under this agreement will be performed in accordance with the regulations of the agencies having jurisdiction. The City must comply with the regulations of the Clallam County Road Department and the Washington State Department of Transportation for work performed within their respective rights-of-way.

b. City will be responsible for the specific daily, weekly, monthly, semi-annual, and periodic tasks itemized on the task list attached as Exhibit A. The County will maintain the restroom and landscaping and other tasks as identified in Exhibit A. Approval by the County Engineer or designee shall be given for any identified need for periodic work including gravity sewer cleaning and pigging prior to any such periodic work performed by the City.

c. The County must provide the City with operations, maintenance and parts data, as-built drawings, and all other information as is available, relating to the County's CUSSCS and its components. The County will at its expense furnish at a minimum all parts recommended by the manufacturer for repairs and maintenance.

d. If maintenance or repairs to the County CUSSCS are necessary and that are beyond the normal capabilities of City forces, as determined solely by the City, due to the scope or nature of the work, the County must make said maintenance or repairs separately from this Agreement. When the County performs such maintenance or repairs, it will coordinate such maintenance or repairs with the City.

6. The City will keep detailed records of staff time, equipment and materials used to maintain the County's CUSSCS. These records will be included in the City's annual audit process. The County on request will be given a reasonable opportunity to review the City's records concerning the maintenance of the County's CUSSCS.

7. Indemnification.

a. City. The City shall indemnify, defend, and hold harmless the County, its officers, agents, and employees from all suits, claims, or liabilities of any nature, including attorneys fees, costs, and expenses, for or on account of injuries or damages sustained by any person or property, resulting from acts or omissions of and to the extent harm is caused by the City, its agents or employees in connection with maintenance and operation of the Carlsborg sewer system or for breach of its duties under this Agreement. If suit in respect to the above is filed, the City shall defend the suit at the City's own cost and expense, and if judgment is rendered or settlement made requiring payment by the County, its officers, agents or employees, the City shall pay

the same. Should a court of competent jurisdiction determine that this indemnity agreement is subject to RCW 4.24.115, then in the event of liability for damages arising out of bodily injury to persons or damages to property caused or resulting from the concurrent negligence of the City and the County, its officials, officers, employees or agents, the City's liability hereunder shall only be to the extent of the City's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes the City's waiver of immunity under industrial insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the Parties.

b. County. The County shall indemnify, defend, and hold harmless the City, its officers, agents, and employees from all suits, claims, or liabilities of any nature, including attorneys fees, costs, and expenses, for or on account of injuries or damages sustained by any person or property, resulting from acts or omissions of and to the extent harm is caused by the County, its agents or employees in connection with maintenance and operation of the Carlsborg sewer system or for breach of its duties under this Agreement. If suit in respect to the above is filed, the County shall defend the suit at the County's own cost and expense, and if judgment is rendered or settlement made requiring payment by the City, its officers, agents or employees, the County shall pay the same. Should a court of competent jurisdiction determine that this indemnity agreement is subject to RCW 4.24.115, then in the event of liability for damages arising out of bodily injury to persons or damages to property caused or resulting from the concurrent negligence of the City and the County, it officials, officers, employees or agents, the County's liability hereunder shall only be to the extent of the County's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes the County's waiver of immunity under industrial insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the Parties.

c. This section survives the termination of this agreement.

8. This Agreement commences on the date this Agreement is executed by both parties and runs for three (3) years. Thereafter, the Agreement automatically renews year to year until such time as either party provides one hundred eighty (180) days' advance written notice of its intention to terminate. This Agreement provides standing authorization by the County to the City to proceed with the services described herein by whatever means the City deems appropriate, whenever such services are needed or scheduled by the City, except as otherwise provided herein. Authorizations and notifications made pursuant to this agreement shall be between the City Manager and the County Administrator or their designees.

10. Severability. It is the intent of the Parties that if any provision of this Agreement or its application is held by a court of competent jurisdiction to be illegal, invalid or void, the validity of

the remaining provisions of the Agreement or its application shall not be affected. The remaining provisions shall continue in full force and effect, and the rights and obligations of the Parties shall be construed and enforced as if the Agreement did not contain the particular invalid provision; however, if the invalid provision or its application is found by a court of competent jurisdiction to be substantive and to render the performance of the remaining provisions unworkable and non-feasible, or is found to seriously affect the consideration and is inseparably connected to the remainder of the Agreement, the entire Agreement shall be null and void.

11. Complete Agreement. This Agreement represents the entire agreement between the Parties concerning this subject matter. The Agreement may be amended as provided herein, or as otherwise agreed to by the legislative bodies of both Parties.

12. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns, provided that neither party to this Agreement shall have the right to assign its rights and obligations in this Agreement without the prior written approval by the other party of any such proposed assignment, and such approval not to be unreasonably withheld.

13. No Third Party Beneficiaries. Except as expressly set forth in this Agreement, nothing in this Agreement is intended to confer upon any person or entity, other than the Parties hereto, any rights, benefits, privileges or obligations. No such third-party shall have any right to enforce any of the terms of this Agreement unless expressly stated otherwise.

14. Waiver. A waiver by either Party of any terms or conditions of this Agreement shall not be deemed or construed to be a waiver of any other term or condition, nor shall the waiver of any breach or default by either Party under the Agreement be deemed or construed to constitute a waiver of any subsequent breach or default, whether of the same or any other term or condition of this Agreement.

15. NOTICES: Any notice or communication that either party desires or is required to give to the other party shall be in writing and served personally or by first class mail to the other party at the address set forth below:

City:
Clerk's Office
City of Sequim
152 West Cedar Street/ PO Box 1087
Sequim WA 98382
(360) 683-4139

County:
County Administrator
Clallam County
223 East 4th Street
Port Angeles WA 98362

IN WITNESS WHEREOF, the City and County have executed this Agreement as of the date and year last written below:

CITY OF SEQUIM:

Dennis Smith, Mayor

Approved as to form:

Kristina Nelson-Gross, City Attorney

CLALLAM COUNTY:

8/1/17

Mark Ozias
Chair, Board of County Commissioners

Approved as to form:

8/14/17

Clallam County Prosecutor

EXHIBIT A: Operation and Maintenance Tasks – Carlsborg Sewer System Daily	
Pump Station	
Verify pumps and grinder are operational	
Verify wet well fan is operational	
Record pump run times	Record on Sheet
Check alarm status	Situations may have occurred and corrected itself. Keep record of alarms.
Verify nitrate solution flow rate	Record on Sheet
Check level of nitrate solution in tank	Record on Sheet
Verify trap priming system is operational	Record on Sheet
Sniff test to verify no odors from biofilter	Record on Sheet
Inspect wet well for grease build-up	If excessive grease build-up determine if vactoring necessary
Inspect rock catch manhole	If excessive accumulation of rocks/debris determine if vactoring necessary
Discharge - Area 2	
Verify flow meters are operational	
Inspect discharge manhole to verify free discharge	Determine if vactoring is required.
Sniff test to verify no odors from biofilter	
Set up sampler or retrieve samples– as needed.	
Weekly	
Verify operation of floats (including back-up floats)	
Monthly	
Pump Station	
Verify operation of pump station on generator power	
Record differential pressure in biofilter	
Exercise valves in valve vaults	
Discharge – Area 2	
Exercise valves	
Semi – Annual (Estimate)	
Pump Station	
Vactor wet well	
Vactor rock catch manhole	May be required more often during construction of side sewers
Periodic	
Gravity Sewer Cleaning (approx.. 3,000 ft./year)	As approved by County
Pigging and other periodic work	As approved by County
Grinder inspection and maintenance	After warranty and as approved by County
County	

Maintenance Provided by Manufacturer Tech	
Pump inspection and maintenance	Annual
Generator inspection, load test and maintenance	Annual
MCC and Control Panel	As-needed
Nitrate supply	As-needed
General – Pump Station	
Restroom Maintenance	
Landscape Maintenance	
General-Inspection	
Side sewer installation inspection	As-needed
Source Control	