

WHOLESALE WATER SUPPLY AGREEMENT

Between Alderwood Water & Wastewater District and Mukilteo Water & Wastewater District

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**AGREEMENT BETWEEN
ALDERWOOD WATER & WASTEWATER DISTRICT
AND MUKILTEO WATER & WASTEWATER DISTRICT
FOR WATER SUPPLY**

This Wholesale Water Supply Agreement ("Agreement") between the Alderwood Water & Wastewater District, a special purpose municipal corporation (the "District,"), and Mukilteo Water & Wastewater District, a special purpose municipal corporation (the "Customer") (individually a "Party" and collectively the "Parties") for the purposes set forth herein.

WHEREAS, the District and the Customer are each authorized under the law of the State of Washington to supply potable water to their retail customers and to enter into wholesale contracts for the purchase and sale of wholesale water supply; and

WHEREAS, the District and the Customer desire to enter into an agreement wherein the District sells wholesale water to the Customer at a wholesale water rate that will adequately compensate the District for those current and future costs attributable to supplying wholesale water to the Customer;

NOW, THEREFORE, The District and the Customer agree as follows:

SECTION I. - WATER SUPPLY

The District agrees to sell to the Customer and the Customer agrees to purchase from the District up to the daily quantity of water shown on Exhibit "A" according to the terms and conditions of this Agreement. The water shall be delivered to Master Meters at a point in or immediately adjacent to a site as depicted on Exhibit B and E. The District shall be the Customer's primary source of water; provided that the Customer may use any existing alternate source connections and re-use water as sources of water supply.

SECTION II. - DEFINITIONS

As used in this Agreement, unless the context clearly indicates otherwise, the following words and phrases shall mean:

"Administrative Time" means the District's administrative costs incurred to maintain, operate and repair the Wholesale Facilities.

"Cubic Foot" means a unit of measurement of water equal to 7.48 gallons. The term "CCF" shall mean 100 cubic feet of water.

"Distribution Main" means any water main owned and operated by either the District or by the Customer as part of its Retail Water System.

"District Peak Day Water" means the 24-hour maximum usage day measured in million gallons pumped from the Everett System through the three pump stations operated by the District.

"Everett Supply Contract" means the current agreement between the City of Everett and the District for water supply, dated January 28, 2005, and any future amendments thereof.

"Master Meter" means the measuring device installed to measure the volume of water supplied to the Customer by the District.

"Peak Day Water" means the 24-hour maximum usage day measured in million gallons during a calendar year.

"Regional Facilities" means District assets as identified on Exhibit C that are necessary to provide service to all District retail and wholesale customers.

"Retail Water System" means that system owned and operated by the District or by the Customer composed of Distribution Mains and appurtenances used for receiving a supply of water and distributing it directly to the District's or the Customer's retail customers.

"Service Connections" means those separate connections between a Retail Water System and a retail customer.

"Service Meters" means the meter or measuring device installed on a service line or Service Connection for the purpose of measuring the volume of water supplied to a retail customer.

"Terminal Storage Reservoir" means a storage reservoir used primarily to provide reserves against transmission failure from the supply, supply or pumping failure, pump control

storage to balance and economically operate the supply pumps and which permits a reduced sizing in the supply transmission and pumping system to the terminal storage reservoirs.

"Transmission Main" means a pipe owned and operated by the District primarily used for carrying water from a source (currently the Everett Water System) to a Retail Water System that normally has limited or no Service Connections.

"Wholesale Customer" means a customer who purchases water from the District according to the terms and conditions of this Agreement or an agreement with substantially similar terms and conditions, delivered through the Wholesale Facilities.

"Wholesale Facilities" means current assets, identified on Exhibit B, and future assets hereafter added to an amended Exhibit B, owned and operated by the District that are necessary to supply water to the Wholesale Customers in this Agreement. These Wholesale Facilities may also be part of the Regional Facilities.

"Wholesale Water Cost" means all of the costs incurred by the District to supply water to Wholesale Customers, including

- (1) The cost of purchased water, which is the annual amount (U.S dollars) paid by the District for water supplied to the Wholesale Customers under either the Everett Supply Contract or any other agreement for the purchase of water to supply the Wholesale Customers.
- (2) Maintenance and operation costs ("Wholesale M&O costs"), which are costs incurred by the District to maintain, operate and repair the Wholesale Facilities, including Administrative Time, cost of materials and supplies, and the full cost of labor attributable to serving the Wholesale Customers.
- (3) "Power Costs," which are the electrical and other fuel charges associated with operating the Wholesale Facilities.
- (4) "Existing Wholesale Debt," (Principal + Interest) which is the existing bonded debt service and debt obligations of the District attributable to serving the Wholesale Customers, including principal and interest payments.
- (5) "Future Wholesale Debt Service," (Principal + Interest) which is future debt issued by the District to finance capital improvements and infrastructure, attributable to serving the Wholesale Customers, including principal and interest

payments.

- (6) "Cash (Rate) Funded Wholesale Facility Improvements," ("CFI") which is that revenue component of the Wholesale Water Rate used, in whole or in part, to cash fund Wholesale Facilities.
- (7) "Other Program Funding," which includes costs incurred by the District that benefit Wholesale Customers but are not otherwise included in the Wholesale Water Rate.
- (8) "Quantity of Water Supplied," which is the prior year's total of water supplied to the Wholesale Customers (CCF) as measured by all Master Meters, plus or minus any adjustments for individual services of the Customer or District connected upstream or downstream, respectively, of the Master Meters.
- (9) "District Finance Option," which is a revenue component of the Wholesale Water Rate used in whole or in part to fund capital improvements where bonds or CFI are impractical or are not available.

"Wholesale Water Rate" means the cost of water to the Wholesale Customer in dollars per hundred cubic feet (CCF).

"Wholesale Water System" includes the Wholesale Facilities and the Retail Water System of any Wholesale Customer and of the District.

SECTION III. - FUTURE FACILITY ACQUISITIONS

(THIS SECTION INTENTIONALLY LEFT BLANK)

SECTION IV. - CONTINUITY OF SERVICE

Except as otherwise provided, the District's supply of water to the Customer shall be continuous. In the event of a general emergency or water shortage affecting the District, the District and the Customer shall implement necessary water conservation measures. Because the District and the Customer have critical customers, the District shall consult with the Customer regarding water allocations. General restrictions placed upon deliveries to the

Customer shall be made according to the District's most recent Emergency/Drought Response Plan. In the event of localized emergency problems, temporary service interruptions may result.

The District may have to implement emergency Wholesale Water System conservation measures to meet an emergency condition. The Customer shall assist and support such emergency conservation measures.

If the District determines that interruptions and reductions are necessary or reasonable in case of system emergencies, the District shall provide oral notice to the Customer and may temporarily interrupt or reduce deliveries of water to the Customer. Except in cases of emergency, and to avoid unreasonable interference with the Customer's operations, the District shall give the Customer at least fourteen (14) calendar days notice of any proposed interruptions or reduction in service, the reason therefore, and the probable duration thereof, including any interruptions or reduction in services that will be caused by the installation of equipment, repairs, replacements, investigations, inspections or other maintenance performed by the District on its water system or those parts of the system supplying the Customer.

The City of Everett currently holds water rights regulated by the State Department of Ecology and an approved Water System Plan regulated by the State Department of Health that enables the City of Everett to perform the Everett Supply Contract. Said water rights and plan currently authorize the District to supply City of Everett water to Customer under this Agreement and consistent with the terms of the Everett Supply Contract. Customer acknowledges and agrees that any interruption or restriction of said authorization could result in the curtailment, interruption or reduction in the District's service to Customer, the declaration of an emergency, or other measures reasonable under the circumstances.

In the event of any of the foregoing or otherwise, the District shall have no obligation whatsoever to obtain and furnish a substitute supply of water and Customer may obtain and use any alternate lawful source of water supply including re-use water as substitute water supply. The District shall cooperate with the Customer and use its best efforts to assist Customer in obtaining an alternative source(s) of water supply. Nothing herein shall be interpreted to waive any right or obligation under Washington law as the

same exists or shall hereinafter be created.

SECTION V. - OPERATIONAL EFFICIENCY

The Everett Supply Contract includes a rate component of peak to average day flow that affects the District and the Customer. Therefore, as a material element of this Agreement, the Customer shall track during the high water demand period June through August the operational control components of its Retail Water System, including, at a minimum, reservoir storage capacity and flow controls, and provide the data collected to the District in accordance with procedures and on a schedule as established by the Wholesale Committee.

SECTION VI. - WHOLESALE COMMITTEE

The District shall establish and staff, and the Customer shall participate in, a wholesale committee ("Wholesale Committee") composed of the District and each Wholesale Customer. Each Wholesale Customer shall designate in writing a representative to serve on the Wholesale Committee. A representative may be replaced by a written designation of the committee member. The Wholesale Committee shall have the powers and authority as set forth below:

1. Advisory Powers and Authority. The Wholesale Committee shall review and advise the District on the following topics or issues:

- a. Proposed wholesale rate changes, including Administrative Time;
- b. Proposed multi-year wholesale capital improvement plans;
- c. Coordination with the District on day-to-day operations relating to high water demand;
- d. Proposed bond issues for wholesale system capital improvements;
- e. Changes in District standards that would apply to wholesale improvements;
- f. Proposed modifications to the Everett Supply Contract;
- g. Proposed regulatory changes that could potentially impact wholesale customers;
- h. Day-to-day operational issues and coordination efforts; and

- i. District Finance Option.

2. Approval Powers and Authority. The Wholesale Committee shall review and approve of the following topics:

- a. The District's Emergency/Drought Response Plan;
- b. Limits on cash funded wholesale system capital improvements; and
- c. "Other Program Funding" as defined and used in this Agreement.

Approval will require a majority vote of the Wholesale Customers plus District.

The Wholesale Committee shall meet annually by the 15th of March to review the proposed wholesale rates and, as necessary, to address the other topics as outlined above. A meeting may be called by any member of the Wholesale Committee. The Wholesale Committee shall evaluate each Wholesale Customer's operational efficiency by the end of each year and provide a report and recommendation to the District's Board of Commissioners on the summarized data of the Wholesale Customers' tracking of high water demand to identify potential efficiency measures to be implemented under the state-mandated Water Use Efficiency Rule. Each Wholesale Customer shall receive a copy of the report.

SECTION VII. - MASTER METER

All water delivered by the District to Customer shall be measured by a Master Meter. All Master Meters, including vaults and appurtenances, will be owned, maintained, repaired, replaced and upgraded by the District and the cost thereof included in the Wholesale Water Cost. The District shall own all facilities from the connection to the District pipeline to the upstream flange of the valve downstream of the Master Meter. The cost of a new Master Meter requested by the Customer, including appurtenances and installation, shall be paid by the Customer. Relocation of a Master Meter necessitated by the Customer shall be paid by the Customer.

The District shall establish standards for Master Meters, including appurtenances and access to flow data. Access to the Master Meter and the flow records shall be made available to the Customer upon request. The Master Meter shall be checked by the District

on a schedule and for accuracy per the manufacturer's recommendation and the cost thereof included in the Wholesale Water Cost. Either the District or the Customer may request additional tests. The costs of additional tests shall borne equally, if both Parties agree to the test; otherwise, by the Party requesting the test, unless the meter is not performing within the manufacturer's specification, whereupon the benefited Party shall pay for the test. Any adjustment to charges for water supplied shall be determined by the average water use of the three prior years for the same period, unless some other method is agreed upon. Either a credit or an additional billing calculated at the applicable Wholesale Water Rate shall accrue to the appropriate party. If review of the meter records does not establish when the change in accuracy occurred, the period of adjustment shall be one-half of the period since the last meter calibration, not to exceed 12 months.

SECTION VIII. - AREA OF USE

The Customer shall not furnish service under any terms to services or systems other than those within its approved service area as defined within its Water Comprehensive Plan without first receiving written approval of the District. The Customer currently serves other water suppliers or the service area of such suppliers by agreement. Those agreements are identified on Exhibit D and continued service to those suppliers is hereby approved by District.

SECTION IX. - WATER QUALITY

The water delivered by the District to the Master Meter shall comply with state and federal standards for drinking water and be of the same standard and quality normally delivered to the District's other customers. The District shall not be liable for any degradation of water quality and resulting damages that may occur beyond the Master Meter, including liability for acts of sabotage. Customer shall operate its system in conformance with law and in a manner which does not impair the water quality of the "Wholesale Water System."

SECTION X. - SUPPLY TO DISTRICT-OWNED SERVICES TRANSMITTED THROUGH CUSTOMER MAINS

The District shall have the right to continue to serve its Retail Water System with water transmitted through the Customer's Master Meter and Retail Water System. Every two months, the District shall read meters in that portion of the District's Retail Water System supplied through Customer's Master Meter and Retail Water System. The volume of water shown by meter reading shall be deducted from the total Master Meter reading for the month in which these meters are read, plus 25% added for meter losses, flushing, leakage and other authorized unmetered usage.

SECTION XI. - WHOLESALE WATER RATE

Wholesale Customers shall pay a Wholesale Water Rate that shall be adjusted annually on April 1 and shall be effective on that date. The Wholesale Water Rate shall recover the District's Wholesale Water Cost computed by the following formula:

$$R = E + \frac{M + P + (ED + FD) + CFI + DFO + O}{Q}$$

Where:

- R = Wholesale Water Rate (\$/CCF) computed to the nearest ten-thousandth of a dollar
- E = The District's cost of Purchased Water (\$/CCF)
- M = Wholesale M&O Costs for the prior calendar year, excluding Power Costs
- P = Power Costs for the prior calendar year [Wholesale-Related Portion Only]
- ED = Existing Wholesale Debt including Principal + Interest
- FD = Future Wholesale Debt Service including Principal + Interest
- CFI = Cash (Rate) Funded Wholesale Facility Improvements
- O = Other Program Funding as may be deemed appropriate by the Wholesale Committee

DFO = District Finance Option

Q = Quantity of Water Supplied (CCF) in the prior calendar year measured by the Wholesale Customers' Master Meters

In determining the Wholesale Water Rate, the District shall be governed by the following principles:

1. Revenue recovery for debt service shall be based upon the debt service (payment) schedule associated with each debt issue. Whenever the District issues refunding debt, it shall analyze the refunding issue to determine an equitable allocation of principal and interest to the Wholesale Water Rate. The Wholesale Committee shall be convened to review the allocation for either a new debt issue or a refunding issue.

2. In the year in which the District proposes to issue a new long-term debt instrument to finance, in whole or in part, the construction of or improvements to Wholesale Facilities, the cost attributable to Wholesale Facilities, including projected principal, interest, reserve payments, and debt service, incurred by the District for that year shall be included in the Wholesale Water Rate. The cost of such debt shall be allocated to the Wholesale Customers, over the life of the debt issue, according to the specific use of proceeds from that debt issuance. At the end of the year, and after the debt has been issued, the debt issue is considered "Existing Wholesale Debt" for purposes of establishing wholesale water rates in subsequent years.

3. Whenever financially feasible, debt service coverage shall be met by the District's overall financial operations (retail and wholesale). If debt service coverage cannot be met by the District's overall financial operations, then the Wholesale Water Rate shall be adjusted to include a component sufficient to meet the specific debt service coverage covenants.

4. Every fifth (5) year commencing in the year 2015, the District shall re-

determine Wholesale M&O Costs for the purpose of setting the Wholesale Water Rate for that year. In each of the subsequent four years, the Wholesale M&O Cost (M) shall be escalated by the consumer price index for all Urban Consumers (CPI-U) (Seattle/Tacoma/Bremerton metropolitan area) December to December or a comparable index, if that index is unavailable; provided that in any year, the District may, at its discretion, forego escalation of cost according to the index and determine the actual Wholesale M&O Costs that year.

5. Power Costs attributable to the Wholesale Customers shall be determined when the Wholesale Water Rate is re-calculated and shall be equal to the following:

$$P = (\text{District's prior calendar year cost of power at Wholesale Facilities identified on Exhibit B, and as Exhibit B may be amended}) \times (\text{the Wholesale Customers' combined prior calendar year volumetric use of water as recorded on Master Meters identified on Exhibit B, and as Exhibit B may be amended}) \div (\text{the District's prior calendar year volumetric use of water as recorded at the District's Master Meters at the Evergreen Way Pump Stations.})$$

6. The CFI component of the Wholesale Water Rate shall be determined by the District after a review of the District's 5-year capital improvement plan by the Wholesale Committee. The Wholesale Committee shall approve CFI funding for each year of the five (5) year capital improvement plan, after considering the different financial and rate impacts of funding wholesale projects with cash or by debt and such other factors deemed relevant by the Committee.

7. Annually, before the Wholesale Water rate is developed, the Wholesale Committee shall review and approve what, if any, Other Program Funding, including costs incurred by the District that are not otherwise included in the Wholesale Water Cost, should be allocated to Wholesale Customers and included in the Wholesale Water Rate. Approval will require a majority vote of the Wholesale Customers plus District.

8. The District shall establish a separate wholesale capital improvement sinking fund (reserve) to segregate and account for certain revenues received from the Wholesale Customers as identified in this Agreement. The sinking fund shall contain the balance in the bond reserve fund as identified in the current wholesale contract. The District shall deposit into the wholesale capital improvement sinking fund all revenues received from:

- A. The Cash (Rate) Funded Improvements (CFI) component of the Wholesale Water Rate; and
- B. Wholesale Water Rates to meet the minimum debt service coverage ratio requirements (rate covenant).

Interest earned on the balance of the Wholesale Capital Improvement Sinking Fund shall be retained in the sinking fund and credited to the Sinking Fund on a monthly basis in a manner consistent with the methodology the District uses to allocate interest to its funds.

Except as otherwise provided, all funds deposited into the wholesale capital improvement sinking fund shall be applied to the cost of wholesale capital improvement

10. The District may utilize District funds to finance Wholesale Facility improvements, the funding size of which is not practical for issuance of bonds, and the Cash (Rate) Funded Wholesale Facility Improvement option has not been approved by the Wholesale Committee. The capital funds necessary for the improvement would be provided by the District subject to reimbursement through wholesale water rates for a term not to exceed ten (10) years. The rate would be determined based upon the average rate of investments for District funds for the prior year. The rate may be adjusted annually utilizing the District's annual investment rate for the prior year. The District also reserves the right to terminate this funding option at any time during the term by adding the remaining funds yet to be paid to a larger bond issue. If so elected, the wholesale portion would be the pro rata share of the bond issue at the terms of the bond issue.

SECTION XII. - BILLING & PAYMENT

The District shall bill the Customer for water supplied under this Agreement on regular monthly intervals.

The Master Meters shall be read and recorded on or about the last normal work day of the month in which the service was furnished. Billing to the Customer shall be made by the 10th day of the month following, and payment to the District is due by the 30th day of the month in which the statement is received. If any payment or portion thereof due the District shall remain unpaid for 25 days following its due date, the Customer shall be charged with and pay to the District interest on the amount unpaid from its due date until paid at the rate of eight (8) % per annum.

If any or all of a bill is in dispute, the Customer shall pay the amount as billed and both the District and the Customer shall agree to the time line to resolve the disputed amount. If any material error, an amount greater than \$1,000 per month is discovered in the rate calculation, billing, payment, interest allocation, or any other calculation or assumption, the District shall correct the error retroactively from the date of receipt of notice of the error backwards for a period of up to three (3) years or as mutually agreed. The \$1,000 amount shall be adjusted for inflation every five (5) years with CPI-U as described in Section XI of this agreement.

SECTION XIII. - TERM & EXPIRATION

(1) The term of this Agreement shall be from its effective date until January 1, 2055. The Parties may renew this Agreement by mutual written agreement upon such terms and conditions as the Parties may later agree.

(2) If the Customer shall cease to take water from the District without the District's consent, the Customer shall remain liable for its proportionate share of the then existing wholesale bonded indebtedness issued before January 1, 2055 as may at that time be determined including credits for certain payments and recognition given to the growth experienced in the Customer, the District, and all other Wholesale Customers. This liability shall continue only until such time as all or part of the water supply no longer taken by the Customer from the District is sold by the District to another party. In that event, liability shall be reallocated, in whole or in part, to the new customer.

(3) If the District shall cease to supply water to the Customer without the Customer's consent, the Customer shall cease to be liable for its proportionate share of the wholesale bonded indebtedness as described in Subsection 2 above.

SECTION XIV. - NOTICE OF NEGOTIATION

The Customer shall receive timely written notice of negotiation with City of Everett for a rate change or additional water and the Customer shall have the right to be present at such meetings.

SECTION XV. - FORCE MAJEURE AND CHANGES IN LAW

Neither Party hereto shall be considered to be in default in respect to any obligations hereunder if prevented from fulfilling such obligations due to conditions beyond their reasonable control or due to changes in state or federal law. If a Party is unable to perform in whole or in part because of such condition or change in the law, the Party shall diligently and promptly take reasonable steps to allow it to perform. The Parties expressly acknowledge and agree that the inability or preclusion of the City of Everett to perform, in whole or material part, the Everett

Supply Agreement caused by an order or directive of governmental authority or a court with jurisdiction shall constitute a force majeure or change in law event hereunder.

SECTION XVI. - LEGAL RELATIONS

Each Party shall defend, hold harmless, and indemnify the other from any and all claims, demands, suits, and judgments arising out of its conduct. If, and to the extent, the Parties are both liable to a third party claimant, each Party shall be responsible to the extent of its fault, and shall defend, hold harmless, and indemnify the other for its fault. The foregoing indemnity is specifically and expressly intended to constitute a waiver of each Party's immunity under Washington's Industrial Insurance Act, RCW Title 51, but only with respect to the other Party only, and only to the extent necessary to provide each Party with a full and complete indemnity of claims made by the other Party's employees. The Parties acknowledge that these provisions were specifically negotiated and agreed upon by them.

SECTION XVII. - DISPUTE RESOLUTION

The Parties are committed to working cooperatively in resolving all matters related to this Agreement and achieving its intent and purpose. If a dispute should arise, the Parties agree to meet on an informal basis within fourteen (14) calendar days after receipt of written notice of the dispute submitted by a Party to attempt to resolve the dispute.

If the Parties are unable to resolve the dispute on an informal basis within thirty (30) days, the Parties agree they shall utilize mediation. Each Party shall be responsible for the costs of their own legal representation and pro rata cost of mediator.

Any dispute arising under this Agreement that is not resolved pursuant to the mediation process may, upon mutual agreement of the Parties, if such agreement occurs within twenty (20) calendar days of the failure of the Parties to reach resolution through mediation, be resolved by binding arbitration by a single arbitrator. Within seven (7) calendar days of the date the Parties agree to arbitration, each Party shall provide the other Party with the names of three (3) neutral arbitrators having experience in the subject matter of the dispute and in arbitrating disputes. The

Parties will thereafter attempt in good faith to select an arbitrator from this panel of six (6) potential arbitrators.

If the Parties are unable to agree upon a single arbitrator within twenty (20) calendar days



SECTION XX. - LIMITATION ON DAMAGES

Notwithstanding any other provision of this Agreement, neither the District nor the Customer shall be liable to the other under or pursuant to this Agreement for indirect, incidental, special, exemplary, punitive, or consequential damages, including but not limited to damages for lost profits, revenues or benefits, loss of property use, the cost of capital, or the cost of purchased or replacement water.

SECTION XXI. - GENERAL PROVISIONS

(1) 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 be deemed or construed to constitute a waiver of any subsequent breach, whether of the same or any other term or condition of this Agreement.

(2) Assignment: Except where one of the Parties merges, consolidates or combines with another entity neither this Agreement nor any of the rights, interests or obligations created hereunder may be assigned by either Party without the written consent of the other Party. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective Parties.

(3) Notices: Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by electronic transmission in the form of email or facsimile, or (d) by a commercial overnight courier that guarantees next day delivery and provides a receipt, and such notices shall be addressed as follows:

To the Customer:

General Manager
Mukilteo Water & Wastewater District
P.O. Box 260
Mukilteo, WA 98275
Fax: 425-348-0645

To the District:

General Manager
Alderwood Water & Wastewater District
3626 156th Street SW
Lynnwood, Washington 98087
Fax: 425-742-4562

or to such other address designated in writing by the addressee.

(4) Entirety: All prior negotiations and agreements between the parties hereto relating to the subject matter hereof are merged into and superseded by this Agreement, which shall constitute the entire agreement between the Customer and the District concerning the sale of water to the Customer.

(5) Authority: Each Party represents and warrants that it has the power and legal authority to enter into this Agreement. The individual(s) executing this Agreement on behalf of the respective Party represents and warrants that such individual has the power and authority to do so.

(6) Effective Date: This Agreement shall be effective upon the date by which each Party has approved and signed this Agreement ("Effective Date").

(7) Attorneys' Fees and Costs: In the event that either Party commences any legal action or proceeding relating to the provisions or enforcement of this Agreement, the prevailing party shall be entitled to receive, and the non-prevailing party shall pay, its reasonable attorneys' fees and costs, including those incurred in any appeal.

(8) Exhibits Incorporated by Reference: Any exhibits attached to this Agreement are fully incorporated herein by this reference.

(9) Titles to sections and subsections in this Agreement are for reference purposes only and shall have no substantive effect.

(10) In the event of a material breach or default of this Agreement by either of the Parties, the Parties acknowledge that it may be difficult to measure the resulting damages and that monetary damages may not provide a complete or adequate remedy. Accordingly, the non-defaulting Party, in addition to damages and any other relief sought or recovered, shall

be entitled to seek injunctive relief and the specific performance of the terms and conditions of this Agreement.

(11) If any term, condition or provision of this Agreement is determined to be void, unenforceable or limited in its application or effect in a legal proceeding, such determination shall not affect any other provisions in this Agreement and all other provisions shall remain in full force and effect.

(12) Any new water Wholesale Customer Agreement utilizing the same Wholesale Water Facilities as included in the Agreement, shall have the same terms and conditions as this Agreement, with the exclusion of Exhibits A, D and E.

MUKILTEO WATER & WASTEWATER DISTRICT
A Municipal Corporation

By: Thomas H. Rainville
President of the Board

Date: 7-30-2010

ATTEST:

J. J. McQuade
Secretary

APPROVED AS TO FORM:

[Signature]
Attorney

ALDERWOOD WATER & WASTEWATER DISTRICT
A Municipal Corporation

By: Paul D. McIntyre
President of the Board

Date: 16 AUG 2010

**ALDERWOOD WATER & WASTEWATER DISTRICT
AND MUKILTEO WATER & WASTEWATER DISTRICT
WHOLESALE WATER SUPPLY AGREEMENT**

EXHIBIT A – QUANTITY OF WATER TO BE PURCHASED

All quantities in Million Gallons per Day (MGD)

YEAR	Average Daily Demand	Peak Day Demand
2010	1.5	2.8
2018		3.1
2033-2038	2.7	5.0
2050		5.0
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**ALDERWOOD WATER & WASTEWATER DISTRICT
AND MUKILTEO WATER & WASTEWATER DISTRICT
WHOLESALE WATER SUPPLY AGREEMENT**

EXHIBIT B - WHOLESALE FACILITIES

The water lines including transmission facilities are shown on a separate map exhibit.

The following is a list of the wholesale facilities referenced in the Agreement, in addition to the water lines shown on the separate map.

Evergreen Way Pump Station Site (6003 Evergreen Way, Everett)

Pump Station No. 1
Pump Station No. 2

Maintenance and Operation Site (15204 35th Avenue W, Lynnwood)

Reservoir No. 1
Chlorination Facility
Ancillary valves and piping associated with the above assets

Administration Site (3626 156th Street SW, Lynnwood)

Reservoir No. 2
Reservoir No. 3
Chlorination Facility
Ancillary valves and piping associated with the above assets

Edmonds Master Meter Site (168th Street SW and 62nd Avenue W, Edmonds)

Master Meter
Vault and ancillary assets

Lynnwood Master Meter Site (Spruce Way and 164th Street SW, Lynnwood)

Master Meter
Vault and ancillary assets

Mountlake Terrace Master Meter Site (212th Street SW and 44th Avenue W)

Master Meter
Vault and ancillary assets
(Emergency supply at 38th Avenue W and 228th Street SW)

Mukilteo Water & Wastewater District Meter Site (Harbour Point Boulevard and St. Andrews Drive; and Beverly Park Road and Center Road, Mukilteo)

Master Meter
Vault and ancillary assets

**ALDERWOOD WATER & WASTEWATER DISTRICT
AND MUKILTEO WATER & WASTEWATER DISTRICT
WHOLESALE WATER SUPPLY AGREEMENT**

EXHIBIT C - REGIONAL FACILITIES

The regional water lines and larger water transmission facilities are shown on a separate map exhibit.

The following list contains additional regional facilities as referenced in the Agreement.

Evergreen Way Pump Station Site (6003 Evergreen Way, Everett)

- Leased Site
- Pump Station No. 1
- Pump Station No. 2

Maintenance and Operation Site (15204 35th Avenue W, Lynnwood)

- Site
- Reservoir No. 1
- High Tank No. 1
- High Tank No. 2
- Booster Pump Station
- Chlorination Facility
- Ancillary valves and piping associated with the above assets
- Maintenance and Operation Administration Building
- Shop Facility
- Warehouse Facilities
- Material Storage Facilities

Administration Site (3626 156th Street SW, Lynnwood)

- Site
- District Administration Building
- Reservoir No. 2
- Reservoir No. 3
- Chlorination Facility
- Ancillary valves and piping associated with the above assets

**ALDERWOOD WATER & WASTEWATER DISTRICT
AND MUKILTEO WATER & WASTEWATER DISTRICT
WHOLESALE WATER SUPPLY AGREEMENT**

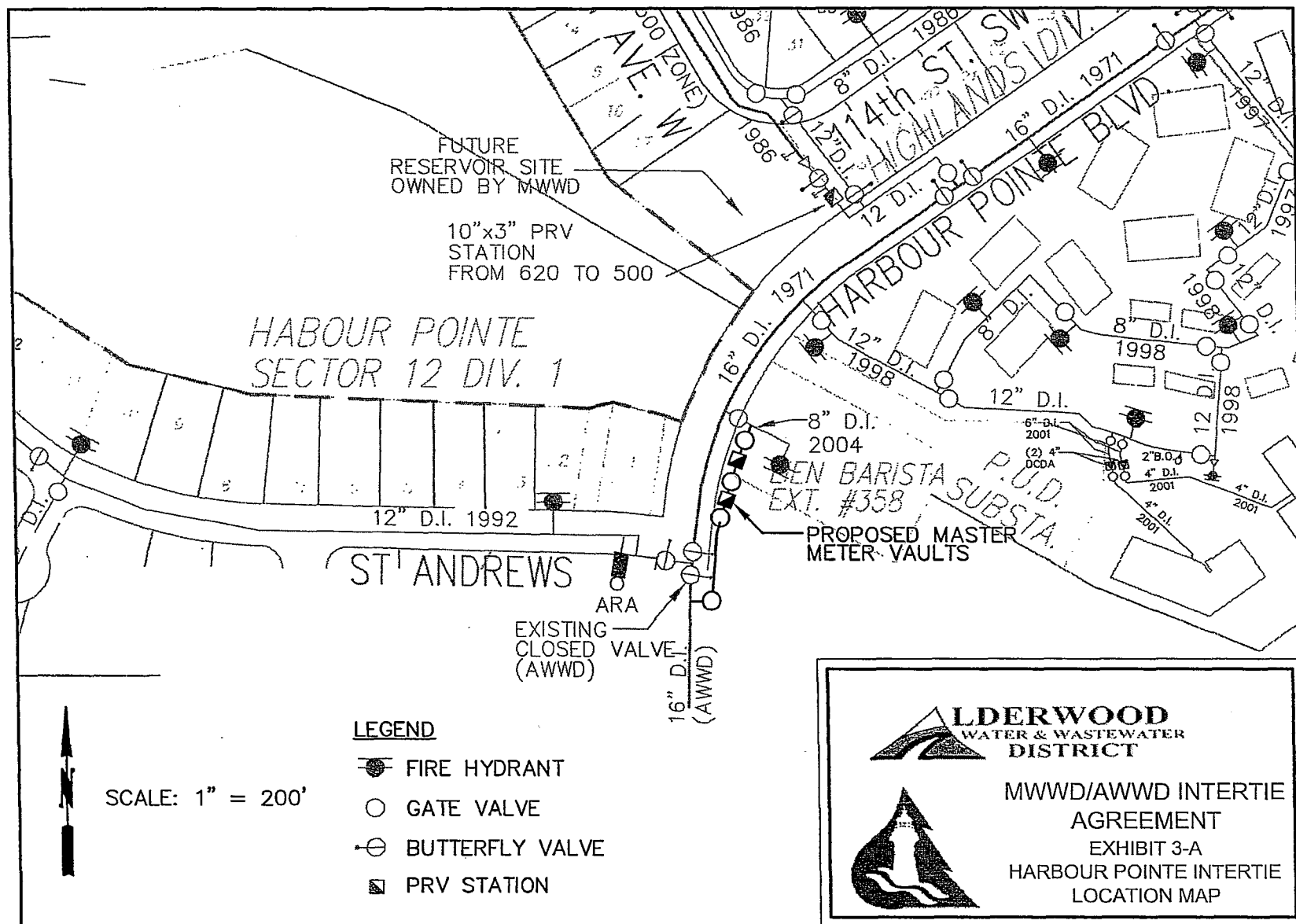
**EXHIBIT D – CUSTOMERS WATER SERVICE AGREEMENT TO OTHER
SUPPLIERS**

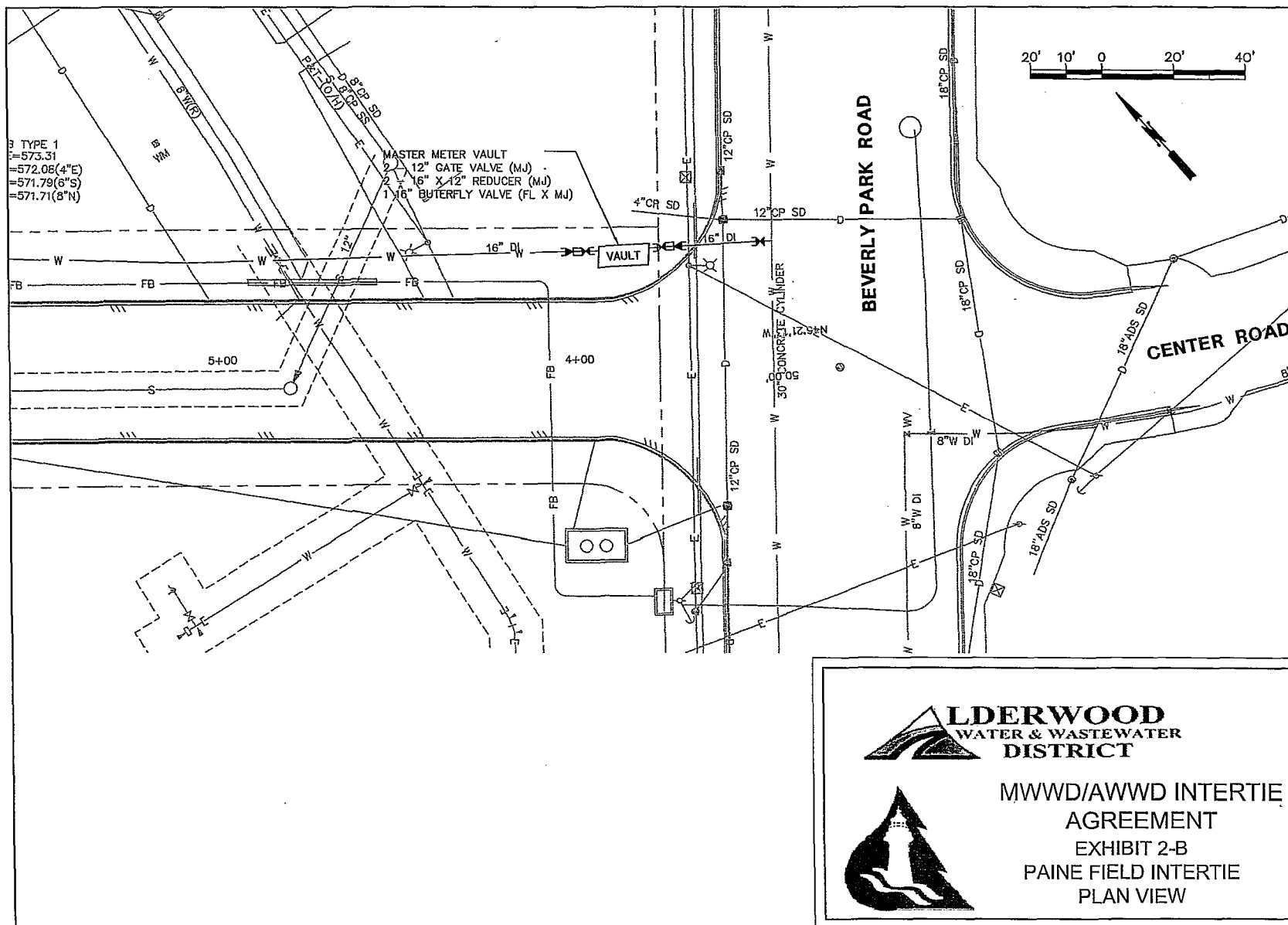
NONE IDENTIFIED.

**ALDERWOOD WATER & WASTEWATER DISTRICT
AND MUKILTEO WATER & WASTEWATER DISTRICT
WHOLESALE WATER SUPPLY AGREEMENT**

EXHIBIT E – MASTER METER LOCATION

Harbour Point Boulevard and St. Andrews Drive; and Beverly Park Road and Center Road





SECTION 21, TWP 28, R 4 E, W.M.

ST. ANDREWS DR.

20' 10' 0 20' 40'

HARBOUR POINTE BLVD.

MASTER METER AND
FLOW CONTROL VAULTS

16"x12" WET TAP CONNECTION
AND VALVE W/TB
STA. 10+92
17.5' R (SLEEVE)

12"x8" REDUCER, MJXPE
8" GATE VALVE, MJ
STA 12+75
28' R (REDUCER)

8" WET TAP CONNECTION
AND VALVE W/TB
STA. 13+30
28' R (SLEEVE)

12" TEE, MJ W/TB
12" PLUG, MJ W/TB
STA. 10+92
28' R (TEE)



LDERWOOD
WATER & WASTEWATER
DISTRICT



MWWD/AWWD INTERTIE
AGREEMENT
EXHIBIT 3-B
HARBOUR POINTE INTERTIE
PLAN VIEW