CITY

2017 AMENDED AGREEMENT
BETWEEN
PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY
AND
THE CITY OF EVERETT

THIS 2017 AMENDED AGREEMENT is made and entered into this 6th day of December, 2017, by and between the PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY ("District") and the CITY OF EVERETT, a Washington municipal corporation ("City"), referred to together as "the Parties."

WHEREAS, City and District previously entered into an Agreement for multipurpose development of the Sultan River dated July 21, 1960 (the "1960 Agreement"); an Amended Agreement dated November 17, 1981 (the "1981 Amended Agreement"); a Supplemental Agreement dated October 17, 2007 (the "2007 Supplemental Agreement"); a Second Supplemental Agreement dated March 21, 2008 (the 2008 Second Supplemental Agreement"); a Third Supplemental Agreement dated October 9, 2009; and the First Amendment to Third Supplemental Agreement dated February 21, 2012 (the "2009 Third Supplemental Agreement, as amended"). Those agreements are referred to together as "the Prior Agreements" and they concerned the Henry M. Jackson Hydroelectric Project ("the Project"), formerly known as the Sultan River Project; and

WHEREAS, the Prior Agreements addressed the sharing of costs of original construction of the Project, among other terms, but were less clear regarding the allocation of ongoing costs after completion of the original construction, resulting in the Parties' dispute over the allocation of such ongoing costs; and

WHEREAS, the Parties have reached agreement on the allocation of ongoing costs of the Project, and intend that the provisions of this 2017 Amended Agreement serve as a supplement to the provisions of Article VI (Payment) in the 1981 Amended Agreement.

NOW, THEREFORE, it is agreed between the Parties as follows:

I. Purpose

The purpose of this 2017 Amended Agreement is to resolve the current dispute between the Parties concerning allocation of Project costs, to amend the Prior Agreements to allocate costs going forward, and to provide mechanisms to resolve disputed issues in the future. The Prior Agreements remain fully in force except as explicitly supplemented, amended, or stricken by this 2017 Amended Agreement.

II. Alternative Trigger for City Payment of Joint Costs of Project

A. The provisions set forth in Article VI, Section 3 (Payment for Joint Costs for Sultan Project) of the 1981 Amended Agreement are hereby supplemented by providing an alternative event requiring City's payments for its $10 million share of Stage II.

B. City shall pay its $10 million share of Stage II when a mass balance of water inflow and outflow of Spada Lake Reservoir indicates that City has, during three separate and distinct water years, exhausted the 11 billion gallons of capacity of Culmback Dam Stage I (34,245 ac-ft) as well as 2.6 billion gallons of storage within Lake Chaplain (8,000 ac-ft) ("Capacity Exhaustion"). Capacity Exhaustion will be determined by a hydrologic model of the Sultan/Culmback water system run using the Stage 1 storage, the Rendelman instream flow requirements, actual inflow, and actual water diversions. In making such determination, the following provisions apply:

1. Inflow to Spada Lake Reservoir is determined by a multiplier of the South Fork Sultan River Gage (USGS gage 12137290) or its successor gage.

2. Outflow from Spada Lake Reservoir is defined as the sum of (a) water delivered to City as measured at City's intake components (currently Lake Chaplain Portal 2 and Water Treatment Plant Bypass Valve), and (b) water released from Culmback Dam for fish flows under the 1971 Rendelman rule curve.

3. A water year is July 1 through June 30.

4. District will use a computerized hydrologic model of the actual daily volumetric changes to the Spada Lake Reservoir.

5. No payment is required upon the first year of Capacity Exhaustion.

6. City shall pay District $5 million within one year of the second year of Capacity Exhaustion regardless of whether this year is consecutive to the first year of Capacity Exhaustion.

7. City shall pay District the remaining $5 million within one year of the third year of Capacity Exhaustion regardless of whether this year is consecutive to the second year of Capacity Exhaustion.

8. If, at any time, Time of Minimum Water Usage (defined in Article I, 1981 Amended Agreement and used in Article IV, Section 3, 1981 Amended Agreement) occurs, City shall, within one year of the actual occurrence, pay District the remaining unpaid balance of its $10 million share of Stage II.

9. City's payment for Stage II of Culmback Dam does not alter or abridge District's sole responsibility for, and operation of, the Jackson Project including Spada Lake, which is subject to the District's license issued by the Federal Energy Regulatory Commission (FERC).

III. Project Action and Cost Sharing

A. Definitions. The following definitions apply to Part III, Project Action and Cost Sharing:

Adjusted annually for inflation: Adjusted on or after April 1 of each year, beginning April 2018, and effective January 1 of said year, based on the percent change (up or down) in the **Specified Index**.

Administrative: An action (other than **Maintenance, Insurance, Construction**, or **Operation**) that supports the delivery of water to the Parties. Administrative actions include payment of fees (e.g. lease fees paid to the State of Washington) and execution of an ongoing program required by industry standard or regulatory action (e.g. a dam safety emergency action plan).

Component: A single element of a **Facility**, such as an individual manufactured piece of equipment or collection of equipment within a discrete element of a **Facility**.

Construction: Action (other than **Maintenance, Administrative, Insurance**, or **Operation**) to erect new infrastructure of a functionality that did not previously exist, or to replace an existing **Facility**, **Component**, or portion thereof due to **Level of Service** failure when such replacement costs $50,000 or more (in 2017 dollars, adjusted annually for inflation) and is less expensive than repair, and which has **Value** to both City and District.

Facility: A single element of the Project, having a specific independent functionality, as distinguished from other elements.

Insurance: Costs to insure Stage I, Stage II, and Recreation Sites.

Level of Service: Criteria for performance requirements set for a **Facility** or **Component**. The decision to repair or replace a **Facility** or portion thereof partly rests on whether it has failed one or more level of service criteria (e.g. the demand on a facility may exceed its capacity, the facility may no longer meet

requirements set forth in adopted and applicable codes or regulations, the **Facility** may simply fail to an extent it can no longer perform its intended function, or it may become so inefficient that it is more cost effective to replace). Level of Service criteria is typically determined for a specific project element by manufacturer's performance data, an industry standard, or agreement of the Parties.

Maintenance: An action (other than **Administrative, Insurance, Construction**, or **Operation**) intended to keep a **Facility** or **Component** in a state to perform its required functionality, such as to continue the reliable delivery of water, prevent Level of Service failure, and/or keep in a state of effectiveness or efficiency. Maintenance includes inspections, tests, measurements, replacements, adjustments, or repairs. Maintenance shall include replacement of a **Facility**, **Component**, or portion thereof when replacement costs less than $50,000 (in 2017 dollars, adjusted annually for inflation) and is less expensive than repair.

Non-Routine Maintenance or **Non-Routine Administrative**: Any eligible Maintenance or Administrative action that is not anticipated to occur more than once in the current 5 year summary period.

Normalized historical annual costs: The mean of the normalized annual costs for the previous five-year period. Normalized annual costs shall be calculated using the actual annual cost for each of the previous five calendar years adjusted to present year dollars based on the **Specified Index**: Provided that each **Non-Routine Maintenance** and / or **Non-Routine Administrative** action estimated to cost more than $5000 will not be included in such calculation.

Operation: Action (other than **Maintenance, Administrative, Insurance**, or **Construction**) to control Project **Facilities, Components**, or portions thereof to effect the delivery of water.

Specified Index: The Handy-Whitman Index, Cost Trends for Utility Construction, Pacific Region, Hydro Production Plant, for Reservoirs, Dam, and Waterways – FERC Code 332 (HWI). All calculations shall be based on the latest versions of the HWI available on or after April 1 when the January 1 HWI indices are published. If the January index is not available, the HWI index for the most recent preceding period shall be used as the basis for adjustment. If no HWI indices have been published for those periods, the Parties shall agree upon substitute data. If the HWI publication is discontinued, the Parties shall agree upon an appropriate substitute index. HWI can be obtained from District's insurance underwriter or other appropriate source.

Value: The determination by agreement of the Parties that an action or asset substantially aids or increases the reliability or output of the Project for City water supply or District hydroelectric purposes, or both.

B. Project Action.

1. Commencing at the time of beginning of construction of Stage II and continuing thereafter as long as this Agreement shall remain in force and effect, District shall perform such actions to sustain (i.e. maintain, administer, insure, construct, operate) the Project and comply with regulations in whatever manner deemed by District to be in best interest of the Parties, subject to the provisions of this Agreement.

2. City shall have the right at any time to examine the manner of District's actions in support of facilities and services that have **Value** to both hydroelectric and water supply purposes, and if in the judgment of City any action is not adequate or is such that the interests of City are not being properly protected, City shall so notify District in writing and District will make such changes in its actions as are determined by the Parties to be in the best interest of both Parties.

C. Principles for Cost Share Allocation. City and District shall share costs of the Project that have **Value** to both City and District, according to the following principles:

1. City is responsible for costs associated with **Facilities** and **Components** that are for City water supply only;

2. District is responsible for costs associated with **Facilities** and **Components** that are for District hydropower production only;

3. District is responsible for conditions imposed by a new FERC license (includes **Construction, Administration** and **Maintenance**), provided:

   If a **Facility** or **Component** that has **Value** to both City and District is replaced in conjunction with work associated with a new FERC license condition, and that **Facility** or **Component** is subject to cost sharing under these Agreements, then the **Construction** costs of such replacement will be borne by District and the **Maintenance** and **Administrative** costs associated with said facility or component that were already shared will continue to be shared by City and District as provided herein;

4. City and District will share costs as provided herein for costs associated with **Facilities** and **Components** that have **Valu**e to both City water supply and District hydropower production:

a) The shared costs shall be for the purpose of keeping the Project in a condition to continue the reliable delivery of water for water supply and hydroelectric purposes;

b) For new **Facilities** or **Components**, not associated with a new FERC license condition, that have **Value** to both City and District, **Construction** costs will be shared as provided herein.

5. Such cost sharing shall be consistent with Appendices A-D of this 2017 Amended Agreement; and

6. City will not share in any costs associated with any new (post-2017) regulatory condition that represents a threat to its source water protection obligations, e.g. additional recreation.

D. Cost Sharing Allocation. District shall initially pay all costs associated with **Maintenance**, **Administrative**, **Insurance**, and **Construction** of Project **Facilities** and **Components**, and City will reimburse District for those costs associated with Project **Facilities** and **Components** that have **Value** to City water supply, provided that City may initially pay for **Maintenance**, **Administrative** and/or **Construction** work on the Diversion System and roads in which case the District shall reimburse the City. Appendix A lists **Facilities** and **Components** currently in existence, and whether the Parties will share the costs associated with each. For costs that are shared, shares shall be as follows:

1. Maintenance

City's Allocation: 38.13%

District's Allocation: 61.87%

City's share: A fixed fee of $113,228.51 per year for **Maintenance**, starting in 2016, **adjusted annually for inflation**. Every fifth year (i.e., for 2021, 2026, etc.), City's share shall be adjusted to 38.13% of **normalized historical annual costs** of shared **Maintenance** actions for the previous five years (i.e., 2016-2020, 2021-2025, etc.). This includes **Non-routine Maintenance** work estimated to cost $5,000 or less; City's share of **Non-routine Maintenance** work estimated to cost more than $5,000 will be billed separately from the fixed fee for **Maintenance**.

Maintenance actions for which costs will be shared are listed in Appendix B-1. Maintenance actions for which costs will be borne only by one Party are listed in Appendix B-2.

2. Administrative

City's Allocation: 38.13%, except as noted below.

District's Allocation: 61.87%, except at noted below.

City's share: A fixed fee of $30,571.83 per year for **Administrative**, starting in 2016, **adjusted annually for inflation**. Every fifth year (i.e., for 2021, 2026, etc.), City's share shall be adjusted to 50% of **normalized historical annual costs** for the snow survey and District wildlife biologist staff time after the first 200 hours per calendar year on the Lake Chaplain Tract, plus 38.13% of **normalized historical annual costs** of all other shared **Administrative** actions, for the previous five years (i.e., 2016-2020, 2021-2025, etc.). This includes **Non-routine Maintenance** work estimated to cost $5,000 or less; City's share of **Non-routine Administrative** work estimated to cost more than $5,000 will be billed separately from the fixed fee for **Administrative**.

Administrative actions for which costs will be shared are listed in Appendix C-1. Administrative actions for which costs will be borne only by one Party are listed in Appendix C-2.

3. Insurance

City's Allocation: 26.50% of actual costs for Stage I and Recreation Sites until City's final payment for Stage II is due.

50% of actual costs for Stage I, Stage II, and Recreation Sites after City's final payment for Stage II is due.

District's Allocation: 73.50% of actual costs for Stage I and Recreation Sites until City's final payment for Stage II is due.

50% of actual costs for Stage I, Stage II, and Recreation Sites after City's final payment for Stage II is due.

4. Construction

City's Allocation: 38.13% of actual costs.

District's Allocation: 61.87% of actual costs.

5. Operation

City's Allocation: 0% of actual costs of District's routine operations.

100% of costs in excess of the actual costs of District's routine operations when based solely on City's specific request for mutually agreed-upon changes in District's routine operations.

District's Allocation: 100% of actual costs of District's routine operations.

Operation actions for which costs will be shared are listed in Appendix D-1. Operation actions for which costs will be borne only by one Party are listed in Appendix D-2.

E. Clarification of Eligibility

The Parties may clarify, as necessary, the scope of the work eligible for cost sharing that is listed in Appendices B-1 through D-2, and **Construction** involving Facilities and Components as listed in Appendix A, as follows. The City Utilities Operations Superintendent (or his successor in City organization) and the District Senior Manager of Generation (or his successor in District organization) shall document such determinations on the attached Clarification of Eligibility form in Appendix E or such other written format as is appropriate.

F. Coordination

1. Coordination meetings. The Parties shall schedule and participate in coordination meetings not less than quarterly (i.e., four times per year) at a location convenient to both, at which they will discuss and resolve issues of importance to one or both Parties, and update each other on progress of the planning and execution of ongoing or anticipated Maintenance, Administrative, or Construction work requiring interagency coordination or affecting each other's operations.

2. Planned Construction. By May 1 of the year prior to commencement of Construction, each Party will deliver to the other a brief scope and good-faith cost estimate for Construction work that the Party considers eligible for cost share as provided herein. The Parties will meet as requested to coordinate design, cost, schedule, impacts, and other issues.

3. Billing. The process for billing and payment for shared costs shall be as follows:

a. Each period (annually for Insurance, not less than quarterly for all other costs), the Party that paid or incurred shared costs will provide to the other a draft ledger of shared costs (including fixed fees and line-item expenses), draft invoice, and explanation of expenses.

b. The Parties will consult as requested in an attempt to resolve questions.

c. The Party that paid or incurred shared costs will issue a final invoice and ledger of costs.

d. Payment on a final invoice will be made within 90 days following receipt. The Parties may agree that payments owed to each other may be offset.

IV. Resolution of Current Dispute

A. City agrees to pay the following costs within 180 days of execution of this 2017 Amended Agreement:

1. For the period Q1/2013 through Q3/2015, City's remaining share is $135,360.33.

2. City's share of Project costs for Q4/2015 (Sept-Dec) is $37,742.84 for **Maintenance**, $10,190.61 for **Administrative**, $0 for **Construction**, and $0 for **Operation**, for a total of $47,933.45. **Insurance** was validated separately and is not in dispute.

3. City's share of Project costs for 2016 is $113,228.51 for **Maintenance**, $30,571.83 for **Administrative**, $140,375.37 for **Construction**, and $0 for **Operation**, for a total of $284,175.71. **Insurance** was validated separately and is not in dispute.

B. The Parties waive, release, and discharge any other claims the Parties may have against each other regarding Project cost allocations for periods prior to January 1, 2017.

V. Dispute Resolution

Article IX of the 1981 Amended Agreement is hereby superseded by the following:

Direct negotiation. In the event of any dispute, claim, question, or disagreement arising from or relating to this 2017 Amended Agreement or the Prior Agreements or the breach thereof ("dispute"), the Parties shall use their best efforts to settle the dispute. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable resolution satisfactory to both Parties.

Mediation. If the dispute is not settled through direct negotiation, the Parties agree to try in good faith to settle the dispute by mediation. The Parties shall consult and attempt to select an agreed-upon mediator. If the Parties cannot agree on a mediator, they shall request that the Presiding Judge of the Snohomish County Superior Court select a mediator, whose selection shall be binding unless the parties agree on a different mediator. Each Party shall bear its own costs and fees and an equal share of the mediator's fees.

Superior Court. If the dispute is not settled through direct negotiation or mediation, the Parties agree that the dispute shall be adjudicated by action brought in Snohomish County Superior Court, which shall have exclusive jurisdiction and shall be the exclusive venue for resolution of such dispute.

VI. Miscellaneous Provisions

A. This 2017 Amended Agreement does not change FERC License conditions, FERC-approved management plans, District's ability to operate the Project to meet FERC License conditions, City's ability to operate its water system to meet its permit conditions, or the manner in which City and District manage their respective internal financial processes.

B. The term of this 2017 Amended Agreement shall be for the same term as is set forth in Article VIII, Section 3, of the 1981 Amended Agreement.

C. This 2017 Amended Agreement shall apply to and be binding upon the successors and assigns of the Parties.

D. The following language in the Prior Agreements is hereby stricken:

1. Article IV, Section 2 of the 1960 Agreement

2. Article IX of the 1981 Amended Agreement

3. Section B (2) of the 2007 Supplemental Agreement

The effective date of this 2017 Amended Agreement is January 1, 2017. Billing after the effective date shall incorporate the costs and fees herein agreed.

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY

BY _____
CRAIG W. COLLAR, General Manager

ATTEST:

_____
Melissa A. Collins, Clerk

APPROVED AS TO FORM:

_____
ANNE SPANGLER, General Counsel

CITY OF EVERETT

BY _____
RAY STEPHANSON, Mayor

ATTEST:

_____
, Clerk

APPROVED AS TO FORM:

_____
JIM ILES, City Attorney

Appendices:

Appendix A Project Facilities and Components
Appendix B-1 Maintenance Actions/Costs Shared
Appendix B-2 Maintenance Actions/Costs Not Shared
Appendix C-1 Administrative Actions/Costs Shared
Appendix C-2 Administrative Actions/Costs Not Shared
Appendix D-1 Operation Actions/Costs Shared
Appendix D-2 Operation Actions/Costs Not Shared
Appendix E Forms

Appendix A
Project Facilities and Components

Facility		
Component	Description	Cost Share Eligible
Culmback Dam		
Culmback Dam Stage I	Original impoundment structure that forms the western end of the Spada Lake Reservoir; completed 1965; capacity of 11 billion gallons, dam crest elev 1402' msl	Y
Culmback Dam Stage II	Raised impoundment structure that forms the western end of the Spada Lake Reservoir; completed 1984 (north bank stabilization completed 1990); added capacity of 39 billion gallons, dam crest elev 1470' msl	After City Share of Stage II is Due
Valve Chamber	Completed 1965; including Access Tower, elevator, hydroelectric generator, and all valve control systems	Y
Morning Glory Spillway and discharge works	Completed 1965 (elev 1360' msl) and raised in 1984 (elev 1450' msl)	Y
Water Temperature Conditioning System	Phase 1 Auxiliary System, Culmback Dam, completed 1984; Phase 2, WTC Tunnel System, completed 2018	N
Control Building	Including outlet valve controls, sensors, alarms, and backup diesel generator; completed 1984	Y
Diesel Storage Building	Including storage tank, containment, sensors, and alarms; completed 2015 (replaced underground storage tank)	Y
Safety Boom	Protecting Dam, Spillway, and Valve Chamber Access Tower, completed 1965	Y
Security Systems	Including cameras, poles, sensors, recorders, and access control; completed 1984	Y
Communication Systems	Including antennae, tower(s), cabling, and equipment; completed 1984; updated 2016	Y
Blue Mountain		
Communication Systems	Including road, structures, antennae, cabling, and tower(s); completed 1984; updated 2016	Y
Spada Lake		
Spada Lake Reservoir	Including shorelines, but not boat launches or recreation sites; completed 1965 and volume increased in 1984	Y

Facility		
Component	Description	Cost Share Eligible
Recreation Sites		
Spada Lake Recreation Sites	Including all structures, amenities, and boat ramps; completed 1990	Y
Sultan River Recreation Sites	Trout Farm Rd, Powerhouse East, Powerhouse West, Diversion Dam Rd = 100% responsibility of District; Horseshoe Bend and Old Gaging Station Rd = 100% responsibility of City; completed 2011	N
Penstock System		
Culmback Dam Intake System	Including intake tower, sensor and alarms; completed 1984	N
Blue Mountain Tunnel	Including 3.8-mile bored tunnel (14 feet in diameter); completed 1984	N
Steel Penstock	Including 3.7-mile steel pipeline (10 feet in diameter), surface right of way / road system, access portals; completed 1984	N
Powerhouse		
Powerhouse	Including powerhouse structure, equipment (other than electrical generation, switchyard, and piping manifold), and the fish passage berm; completed 1984	N
Piping Manifold	Including the intake manifold, valves, discharge manifold, inside the Powerhouse; completed 1984	N
Generation System	Including electrical generation equipment, switchyard equipment; completed 1984	N
Communication Systems	Including antennae, tower(s), cabling, and equipment; completed 1984; updated 2016 (applies to communication between eligible locations only)	Y
Return Pipeline		
Steel Return Pipeline	Including 3.5-mile pre-stressed and pre-tensioned concrete cylinder pipe (6-foot in diameter), steel manifold piping under Sultan River, access manholes, and appurtenances; completed 1984	N
Diversion System		
Portal 2	Completed 1984	Y
Diversion Tunnel No. 1	Including Portal 1; completed 1930	Y
Diversion Pipeline	Completed 1930; replaced 1984	Y

Facility		
Component	Description	Cost Share Eligible
Diversion Dam	Includes utility bills, security system; completed 1930, updated 2016; includes **Maintenance** of the 2016 sluice gate.	Y
Roads		
Spada Lake Roads	Including South Shore Road and Culmback Dam Road	Y
Diversion Dam Roads	Including Diversion Dam Road and Lower Road	Y
Lost Lake Road	Landowner (City/District) pays own costs	N
All Culverts	Landowner (City/District) pays own costs	N

Appendix B-1
Maintenance Actions/Costs Shared

Maintenance actions for which costs will be shared:

1. Clearing and removing water-borne debris from Spada Lake Reservoir, Culmback Dam, and Diversion Dam.
2. Safety boom maintenance on Spada Lake Reservoir.
3. Inspection and maintenance of Morning Glory Spillway and discharge works.
4. Elevator maintenance and safety requirements at Culmback Dam.
5. Maintenance of the valves at Culmback Dam Valve Chamber.
6. Maintenance of communication system(s) for security and dam safety of Culmback Dam and Diversion Dam (e.g. microwave systems between Powerhouse, Blue Mountain, and Culmback Dam).
7. Maintenance of piezometer system at Culmback Dam.
8. Maintenance of seismic monitoring equipment at Culmback Dam.
9. Inspections and maintenance of valve chamber access tower bridge.
10. Rental, cleaning, and maintenance of vault and/or portable toilet(s) at eligible facilities.
11. Water intrusion prevention at eligible Culmback Dam components.
12. Removing danger trees adjacent to eligible roads and recreation sites.
13. Maintenance of eligible roads.
14. Minor road slide maintenance and snow removal required on eligible roads.
15. Noxious weed control (on Project lands at Culmback Dam or above, within the Project Boundary).
16. Cleanup and maintenance of eligible Spada Lake recreation sites.
17. Cleaning, maintenance, and upgrade of the SCADA system(s) at eligible components.
18. Maintenance of Diversion system.
19. Maintenance of security systems at eligible components.

Appendix C-2
Administrative Actions/Costs Not Shared

Costs will not be shared for the following Administrative actions:

1. The Dam Safety Part 12D analysis is a FERC directed program that does not have a parallel in the Washington state dam safety program and will be borne in full by District. Costs for all other elements of the FERC dam safety program that are parallel to the Washington state dam safety program will be shared.
2. Fire Assessment fees by DNR will be borne by the respective landowner.
3. Wildfire Contingency Plan will be borne by the respective landowner.
4. Hydrologic Modeling of the Spada basin are principally for power supply projections and provide incidental benefit to City for water supply planning and costs will be borne in full by District. District will provide City a maximum of seven additional model runs per calendar year for water supply planning at no charge. City will reimburse District for City-requested hydrologic modeling of Spada Basin after the first seven model runs per calendar year provided by District at no charge.
5. The District will bear all costs and expenses associated with the use of the first 200 hours per calendar year of District wildlife biologist staff time under the Lake Chaplain Tract Off-License Agreement dated October 12, 2009.
6. Costs associated with work imposed by current or future Project FERC license condition[1].

[1] 2007 Supplemental Agreement, Section A.1 and 2017 Amended Agreement Section 3.e.3

Appendix D-1
Operation Actions/Costs Shared

Operation actions for which costs will be shared:

There are no **Operation** actions for which costs will be shared.

Appendix B-2
Maintenance Actions/Costs Not Shared

Costs will not be shared for the following Maintenance actions:

1. Costs related to culverts will be borne by the road owner.
2. Costs related to Sultan River Recreation Access Areas will be borne as indicated in Appendix A.
3. Costs related to Lake Chaplain Reservoir facilities (including Lake Chaplain dams, City Water Treatment Plant, City pipelines) will be borne by the City.

Appendix C-1
Administrative Actions/Costs Shared

Administrative actions for which costs will be shared:

1. Snow Survey
2. Culmback Dam "Dam Safety Program," including:
   2.1. Emergency Action Plan;
   2.2. Functional Exercise;
   2.3. Dam Safety Surveillance and Monitoring Plan (and reports);
   2.4. Owner's Dam Safety Plan;
   2.5. Public Safety Plan; and
   2.6. Other dam safety elements with parallel to Washington stage dam safety program.
3. Completion of a study or payment of a fee for service which has Value to both Parties.
4. Costs and expenses associated with the District wildlife biologist staff time under the Lake Chaplain Tract Off-License Agreement (dated October 12, 2009) after the first 200 hours per calendar year.

Appendix D-2
Operation Actions/Cost Not Shared

Costs will not be shared for the following Operation actions:

1. District will bear the total burden of:
   1.1. Routine **Operations** for delivery of water for water supply to City, including:
      1.1.1. Delivery of water to Lake Chaplain via Portal 2 gate;
      1.1.2. Delivery of water to City via Bypass Valve operation; and
      1.1.3. Control of Lake Chaplain level within a predetermined operating range. The limits of such range may be revised by City with reasonable advance notice to District.
   1.2. Routine release of water for fisheries purposes pursuant to the FERC license.
   1.3. Routine **Operations** for delivery of water for hydroelectric purposes of District pursuant to the FERC license.
   1.4. Delivery of water to City via Diversion Dam system.
   1.5. Lost generation revenue due to any cause.

2. City will bear the total burden of:
   2.1. Excess costs associated with City requested rescheduling of previously planned and agreed upon District water delivery outage (e.g., 2013 Project Shutdown changed from June to September).

Appendix E
Forms

The attached form is a template for use in the administration of this 2017 Amended Agreement. The execution of a document in another format that reflects these same essential elements is acceptable if approved by both Parties.

Clarification of Eligibility

[date]

Description of Work:

☐ **Maintenance** ☐ **Administrative** ☐ **Construction** ☐ **Operations**

Value to City for Water Supply Purposes:

Value to District for Hydroelectric Purposes:

☐ City and District agree that this work has **Value** to both City and District and is eligible for cost share under the Agreements between the Parties.
☐ City and District agree that this work is NOT of **Value** to both City and District and is NOT eligible for cost share under the Agreements between the Parties.

Signatures:

_____	_____
[name] City of Everett Utilities Superintendent	[name] District Sr. Manager of Generation
_____	_____
[date]	[date]

Agreement EVERETT CITY COUNCIL AGENDA ITEM COVER SHEET #20

PROJECT TITLE:
2017 Amended Agreement between Public Utility District No.1 of Snohomish County and the City of Everett Settling Cost Sharing for the Henry M. Jackson Hydroelectric Project

_____	Briefing
_____	Proposed Action
_____	Consent
_____	Action
_____	First Reading
_____	Second Reading
_____	Third Reading
_____	Public Hearing
_____	Budget Advisory

COUNCIL BILL #	
Originating Department	Public Works
Contact Person	Julie Sklare
Phone Number	425-257-7208
FOR AGENDA OF	November 29, 2017

Initialed by:
Department Head
CAA db
Council President

Location	Preceding Action	Attachments	Department(s) Approval
Henry M. Jackson Hydroelectric Project		Agreement, Memo	Public Works, Legal

Amount Budgeted	$467,469	
Expenditure Required	$467,469	Account Number(s):401-5-200-121-611-480
Budget Remaining	-0-	
Additional Required	-0-	

DETAILED SUMMARY STATEMENT:
This agreement amends the prior agreements between the City and the Public Utility District of Snohomish County No. 1 (PUD) concerning the Sultan River Project, now named the Henry M. Jackson Hydroelectric Project (Project). The Project was developed by the City and PUD for both municipal water supply and hydroelectric generation.

As explained in the attached memo, this amended agreement settles the dispute between the City and PUD over the sharing of ongoing Project costs and establishes how the costs of maintenance, administration, insurance and construction will be shared in the future.

As stated in the amended agreement, the amount of $467,469 will be paid to PUD to cover the City's portion of shared costs from 2013 – 2016.

RECOMMENDATION (Exact action requested of Council):
Authorize the Mayor to sign the 2017 Amended Agreement between Public Utility District No.1 of Snohomish County and the City of Everett settling cost sharing for the Henry M. Jackson Hydroelectric Project in the amount of $467,469.00.

Council approved 11-29-17 A.P.