

**POULSBO AGREEMENT DISTRIBUTION SCHEDULE**

SUBJECT: **Public Utility District No. 1 of Kitsap County – Water System Service Area Adjustment and Operation (ILA)**

CONFORM AS TO DATES & SIGNATURES

- (X) Approved by the City Council: 02/09/2011
- (X) Effective: 02/24/2011
- (X) Completion: Until Terminated
- (X) Recorded: N/A

DISTRIBUTE CONFORMED COPIES AS FOLLOWS:

- City Attorney
- (1) Clerk's Department: Original
- (X) Posted to Library Drive
- Posted to Web Site
- Finance:
- Fire District #18
- Mayor
- Municipal Court
- MRSC
- Parks/Recreation
- Planning/Building
- Police
- Public Works/Engineering:

  
\_\_\_\_\_  
City Clerk

April 22, 2011  
\_\_\_\_\_  
Date



**PUBLIC UTILITY DISTRICT**  
CONNECTING KITSAP

KITSAP PUD  
1431 FINN HILL ROAD  
PO Box 1989  
POULSBO, WA 98370  
360.779.7656  
FAX 360.779.3284

March 8, 2011

Jill A. Boltz  
City Clerk  
200 NE Moe Street  
Poulsbo, WA 98370



RE: Interlocal Agreement between the City of Poulsbo and PUD No. 1

Dear Ms. Boltz,

Please find enclosed one signed original as requested and returned to your attention.

Please feel free to contact me if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Corine Vichi".

Corine Vichi  
Administrative Assistant

Encl

**INTERLOCAL AGREEMENT BETWEEN THE CITY OF POULSBO  
AND PUBLIC UTILITY DISTRICT NO. 1 OF KITSAP COUNTY FOR  
WATER SYSTEM SERVICE AREA ADJUSTMENT AND OPERATION**

THIS AGREEMENT is entered into between the City of Poulsbo, an optional municipal code city of the State of Washington (“the City”) and the Public Utility District No. 1 of Kitsap County (“KPUD”), a municipal corporation under the laws of the State of Washington.

WHEREAS, KPUD currently has an intertie on Finn Hill Road connecting its Vinland Water System to the City’s West High Pressure Zone; and

WHEREAS, a second intertie on NW Reliance Street connecting the KPUD Vinland Water System to the City’s West High Pressure Zone will be completed in 2011; and

WHEREAS, the City’s West High Pressure Zone is currently operating at a water storage deficit of 336,000 gallons; and

WHEREAS, this storage deficit is expected to increase to 661,000 gallons by the year 2012 and to 998,000 gallons by the year 2026; and

WHEREAS, KPUD’s Vinland Water System is currently operating with a 360,000 gallon storage surplus; and

WHEREAS, KPUD has planned infrastructure improvements that will increase the Vinland Water System’s storage surplus sufficient to meet the City’s West High Pressure Zone’s storage deficits identified in the City’s 5 and 20 year planning horizon (2012 and 2026), now, therefore,

FOR AND IN CONSIDERATION OF the terms and conditions provided below, the parties agree as follows:

- 1. Kitsap Public Utility District will provide storage to the City of Poulsbo’s West High Pressure Zone.** Through an intertie with the City of Poulsbo’s Water System and KPUD’s Vinland Water System, KPUD will provide the City’s West High Pressure Zone with current and future storage needs as described in the City’s 2007 Water System Plan. This intertie is to meet the City’s storage requirements and, also, provide water in the event of an emergency. Should, in the future, the City require additional source for daily supply, this will be worked out in a separate wholesale agreement between the City and KPUD. The current agreement to provide storage and emergency supply is subject to the following terms:
  - a. All water delivered pursuant to this agreement shall be metered and measured by KPUD.
  - b. Water provided through the interties shall be billed at 50% of KPUD’s existing Tier One commodity charge.

- c. Each party to this agreement shall provide isolation valves and related facilities on their respective water mains at the points of connection.
- d. Additional intertie points may be established by agreement of both parties.
- e. Those facilities lying within KPUD's service area and upstream of the metering station(s) shall remain the property and responsibility of KPUD and those facilities lying within the City's service area and downstream of the metering station(s) shall remain the property and responsibility of the City.

**2. The City will cede to KPUD's service area all properties along Urdahl Road (see attached map).** This service area adjustment will be done in accordance with procedures set forth in the Kitsap County Coordinated Water System Plan, Regional Supplement, 2005 Revision. Kitsap Public Utility District and the City of Poulsbo agree the service area adjustment will proceed with the following operating procedures.

- a. KPUD will collect all Capital Facilities and Service Installation in accordance with KPUD fee schedules from the properties in the ceded service area.
- b. KPUD will install services and meters to the properties in the ceded service area.
- c. The City of Poulsbo will read meters in the ceded service area for the purposes of monthly sewer billing. KPUD will separately read meters for water billing.
- d. KPUD will bill for water service in the ceded service area at established KPUD rates.
- e. KPUD will manage all customer water billing issues including late payment notifications, shut-off notices, and service turn on and off.
- f. KPUD will handle all water system operations, maintenance, and construction in the ceded area and own the infrastructure.
- g. The City will ensure water service issues raised by customers in the ceded area are immediately passed to KPUD for resolution.
- h. KPUD authorizes the City to take emergency actions when necessary in the ceded area to prevent damage to public or private property.
- i. KPUD will provide the required Annual Drinking Water Quality Report to the customers in the ceded area.
- j. KPUD will ensure delivered water meets Federal and State drinking water regulations and is consistent, in quality and treatment, with that provided throughout the associated KPUD system.
- k. Both parties recognize that supply may be limited by conditions and circumstances beyond the control of KPUD. These include, but are not limited to natural disasters, prolonged drought and equipment failure. Should any of these conditions require reduction in service levels, these reductions will be consistent with those applied throughout the associated KPUD system.
- l. KPUD activities in the City of Poulsbo right-of-way will be subject to the City Public Property Construction procedures.
- m. KPUD water service in City limits will be subject to current City Utility Tax.

**3. City Indemnity of KPUD.** To the extent permitted by law, City shall indemnify and hold harmless KPUD and its officers, directors, trustees, agents and employees from any and all demands, claims, causes of action, losses, damages, liabilities, obligations, remedies,

penalties, costs and expenses (including without limitation, reasonable attorneys' fees) arising out of, pertaining to, or in connection with

- a. any acts or omissions of City, its successors, assigns or agents, subsequent to the date of this Agreement with respect to or in relation to the ceded service area or any of the services provided pursuant to this Agreement, and
  - b. a breach of any representation or warranty made herein.
4. **KPUD Indemnity of City.** To the extent permitted by law, KPUD shall indemnify and hold harmless City and its officers, directors, trustees, agents and employees from any and all demands, claims, causes of action, losses, damages, liabilities, obligations, remedies, penalties, costs and expenses (including without limitation, reasonable attorneys' fees) arising out of, pertaining to, or in connection with
- a. any acts or omissions of KPUD, its successors, assigns or agents, subsequent to the date of this Agreement with respect to or in relation to the ceded service area or any of the services provided pursuant to this Agreement, and
  - b. a breach of any representation or warranty made herein.
5. **Authority.** The Parties each represent and warrant that they and/or their undersigned agents have full power and authority to enter into and to execute this Agreement, and that the execution, delivery and performance by the Parties of this Agreement and the related documents is not in conflict with any law, rule, regulation, writ, judgment, injunction, decree or award, or with the provisions of any agreement to which the Parties or any of them may be bound, including, without limitation, their articles of incorporation or bylaws.
6. **Effective Date.** This Agreement shall become effective when, and only when, it has been duly executed by both of the Parties.
7. **Termination.** This Agreement may be terminated by either Party only if it reasonably believes it cannot meet the needs of the other party. In the event either party intends to terminate this Agreement, said party shall first give the following written notices to the other party:
- a. Notice of Intention to Terminate Contract
  - b. Notice of Termination of Contract

The Notice of Intention to Terminate Contract shall be given at least two (2) years prior to the effective date of termination of the contract. Submitted with the Notice of Intention to Terminate Contract shall be a explanation of the reasons for the termination. In the case of KPUD requesting termination of the contract, KPUD will reimburse the City in the amount of the General Facilities Fees for water the City would have collected in the ceded service area up to the date of termination. If the City requests termination of the contract, the City will reimburse KPUD for any capital costs invested in the ceded area by KPUD up to the date of termination. The Notice of Termination of Contract shall be given at least six (6) months prior to termination date and shall include the effective date of termination. If both parties consent, the Agreement may be terminated within a mutually agreed upon time.

8. **Binding Agreement.** This Agreement shall be binding upon and inure to the benefit of the successors, assigns, trustees, receivers, personal representatives, legatees and devisees of the Parties. Except as set forth herein, no person, organization or association other than KPUD and City shall have any rights or claims under this Agreement.
9. **Entire Agreement.** This Agreement embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings related to the subject matter hereof.
10. **Counsel's Advice.** The Parties represent that they have reviewed the terms of this Agreement with their attorney, that they are authorized to enter into this Agreement, and the Agreement is executed freely and voluntarily as of the date hereof.
11. **Further Assurances.** The Parties will use all reasonable efforts to execute such documents and to take such other actions as may be reasonably necessary to consummate and give effect to the terms of this Agreement.
12. **Jurisdiction and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The Kitsap County Superior Court shall have jurisdiction and venue of any action or proceeding arising out of or related to the negotiation, execution, performance, breach or the enforcement of this Agreement.
13. **Attorney's Fees to Prevailing Party.** In the event of any litigation in connection with this Agreement, the prevailing Party shall be entitled to recover its attorney's fees and other costs and expenses, including attorney's fees in both trial and appellate courts and in any bankruptcy proceeding.
14. **Counterpart Signatures.** This Agreement may be executed in several counterparts, which when taken together shall constitute one original Agreement. A facsimile signature shall be deemed an original signature for all purposes.
15. **Compliance with RCW 39.34.040.** Pursuant to RCW 39.34.040, this Agreement shall be filed with the Kitsap County Auditor or alternatively, listed by subject on the public web site of the Parties hereto or on other electronically retrievable public source.
16. **No Separate Entity.** It is not contemplated that any property, real or personal, will be acquired by either jurisdiction separately or jointly as a result of this agreement. No separate fund shall be established, and no legal entity is created by this agreement. This agreement shall be jointly administered by the Public Works Director of the City of Poulsbo and the General Manager of KPUD.

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the date first above written.

Dated: February 23, 2011

City of Poulsbo:

  
Rebecca Erickson

Mayor  
Title

Dated: 2/24/2011

Public Utility District No. 1 of Kitsap County

  
Authorized Signature

Commissioner  
Title