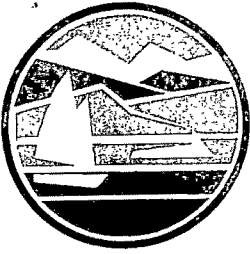


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CITY OF PORT ANGELES



PUBLIC WORKS

321 East Fifth Street, PO Box 1150
 Port Angeles, Washington 98362-1150

Phone (360) 417-4805
 Fax (360) 417-4805

TTY Phone (360) 417-4645

1013

*Records -
 Original signed
 Agreement for
 file*

June 23, 1997

Mr. Michael McInnes, General Manager
 Clallam County PUD No. 1
 PO Box 1090
 Port Angeles, WA 98362

RE: Memorandum of Understanding

Dear Mike:

Enclosed is a fully executed original of the Memorandum of Understanding regarding a shared approach to providing utilities to City and PUD customers.

We look forward to working with you on this approach.

Very truly yours,

Jack N. Pittis, P.E.
 Director of Public Works and Utilities

enc.

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RMV YR	CART #	FRM #					

AGRGOV		GENPR					
CPA	970902	UTI	SYS	PLA	AGR	EXCEPT	
RMV YR	CART #	FRM #					

101078

RECEIVED

INTERGOVERNMENTAL
MEMORANDUM OF UNDERSTANDING

JUN 25 1997

PUD No. 1

WHEREAS the City of Port Angeles (hereinafter "the City") and PUD No. 1 of Clallam County (hereinafter "the PUD") have a mutual interest in providing utility services in a cost-effective and efficient manner; and

WHEREAS current and future changes in the utility industry will offer new opportunities for cooperation between the City, PUD, and other third parties; and

WHEREAS enhanced cooperation and support for shared utility system planning, construction, and operation will optimize the resources of each organization, thereby benefiting area residents and businesses;

NOW, THEREFORE, THE CITY AND PUD HERETO AGREE to pursue opportunities for cooperative and shared and coordinated local area utility planning and operations and to develop strategic alliances that place service to PUD customers and City of Port Angeles citizens as the primary objective. The local area utility concept includes, but is not limited to, the following:

Planning - Explore the feasibility and desirability of one utility infrastructure planning for interconnected utility systems to serve the customers. This may result in more efficient system design and economic savings to the customer. The City anticipates using information from the City's Annexation Strategy Study in this approach.

Operating - The entity that operates the system most effectively may be different from the entity that owns the system. Operation of an integrated system by a single entity could lead to cost savings through standardization of equipment and design, buying power, inventory reduction, and more efficient crew utilization.

Financing - Capital needs for an integrated system are recovered from those benefiting from improved level of service but regional needs may be distributed over a broader base of customers thereby reducing rate impacts.

Billing - Integrated billing and payment for utility services may result in savings and improved customer convenience.

Service Area - Service areas could be specifically defined where necessary and used in the planning process. The City's current approach is to not provide service outside the city limits but could consider providing service inside the UGA.

The parties agree that a working group shall be made up of one council member, one commissioner and appropriate staff as needed. The working group will coordinate this effort.

101079

The parties further agree to extend the Wholesale Water Contract through August 1998, in order to allow thorough discussion of the possibilities for strategic alliances and incorporate mutually agreeable aspects in a longer range water supply contract. The PUD and the City will proceed with development of a Low Zone intertie and address transfer of certain related facilities and customers from the PUD to the City.

PUBLIC UTILITY DISTRICT NO. 1
OF CLALLAM COUNTY

CITY OF PORT ANGELES

By Michael McInnes
Michael McInnes, General Manager

By Joseph Scowsek

Dated: June 10, 1997

Dated: June 17, 1997