

INTERLOCAL AGREEMENT FOR
REVISED CARLSBORG SEWER FACILITIES PLAN
AND FOR FORMATION OF LOCAL UTILITY DISTRICT

THIS INTERLOCAL AGREEMENT is made and entered into pursuant to Chapter 39.34 of the Revised Code of Washington (the "RCW"), by and between CLALLAM COUNTY, Washington, a municipal corporation of the State of Washington (the "County"), and PUBLIC UTILITY DISTRICT NO. 1 of CLALLAM COUNTY, a Washington municipal corporation (the "District"), both situated in Clallam County, Washington (hereafter referred to together as the "Parties"), to be effective as of the date last written below.

RECITALS

For the mutual benefit of both Parties to this Agreement, as well as the taxpayers and ratepayers within the Carlsborg Urban Growth Area (the "Carlsborg UGA"), the Parties enter into this Agreement in order to define their respective responsibilities regarding revisions to the August 2010 Draft Facilities Plan (the "sewer facilities plan" or the "facilities plan") for a sewer and reclaimed water system for the Carlsborg UGA, and regarding the District's formation of a Local Utility District (the "LUD") to construct and pay for said sewer and water reuse system. The sewer facilities plan addresses the Compliance Order of the Western Washington Growth Management Hearings Board, dated April 23, 2008.

AGREEMENT

For and in consideration of the mutual covenants contained herein, the Parties agree as follows:

1. Duration; Termination: This Agreement shall commence as of the date hereof and shall terminate upon the following events: (1) acceptance by the Washington State Departments of Ecology and Health of a revised draft sewer facilities plan, (2) revision of SEPA/NEPA documentation in accordance with the revised draft sewer facilities plan, and (3) the District's Board of Commissioners' determination whether to form the LUD. The County and the District may terminate this Agreement at any time upon one hundred and twenty (120) days' written notice to the other party.
2. Purposes: The purposes of this Agreement are as follows: (1) to delegate between the Parties the responsibilities for (a) contracting with and managing the consultant(s) that will produce the revised draft facilities plan, SEPA/NEPA documentation, and public involvement materials; and (b) contracting with and managing the consultant(s) that will

conduct a special benefits analysis of the LUD, develop a preliminary assessment methodology and prepare a preliminary assessment roll for the LUD; (2) to identify the responsibilities between the Parties for aiding the consultant; and (3) to determine the financial contribution of the Parties.

3. District Duties and Obligations: The District shall contract directly with and shall manage the services of one or more consultants to (1) revise the August, 2010 Draft Facilities Plan; and (2) conduct a special benefits analysis of the LUD, develop a preliminary assessment methodology, prepare a preliminary assessment roll for the LUD, and hold a workshop on the preliminary assessments and a LUD formation hearing. The District and the County shall both approve each consultant's contract scope of work, schedule and budget, and any change orders to any such contracts. The District shall provide to the consultants, upon the consultants' request, any and all information, studies, plans, or other documents that are reasonably necessary for the revision of the facilities plan. The District shall provide technical support and consultation as necessary in developing each consultant's scope of work and in reviewing the findings, public involvement materials, SEPA/NEPA documentation, and the facilities plan. The District shall use the funds provided by the County and the District to pay the consultants for services rendered while executing the scope of work of each consultant contract as shown in Appendix A and B, in an amount not to exceed the budget specified in the consultant contracts. The District shall coordinate communication and the flow of information between and among the County, the District, and the consultant. The District shall direct all work and duties of the consultant, as agreed to by the District, County, and consultants and as specified in the consultant contracts. The District shall provide the County with monthly invoices for payment for work performed by the consultants. Upon completion of the revisions to the facilities plan, the District shall provide the County with at least two (2) hard-copies of the revised facilities plan and any reports, studies, or documents supporting said plan, along with the same documents in an electronic form where practicable and upon the request of the County.
4. County Duties and Obligations: The County shall cooperate in a reasonable manner with the District and the consultants in all matters related to this Agreement. Upon the request of the District or a consultant, the County shall provide to the District any and all existing information, studies, plans, or other documents in the County's possession that are reasonably necessary for the performance of the consultants' services described herein. The County and the District shall both approve each consultant's contract scope of work, schedule and budget, and any change orders to any such contracts. The County may, upon agreement by the District and the consultant(s) affected hereby, direct through the District's project manager any portion of the work performed by consultant(s) that is within an area of technical expertise of the County. The County shall be available for meetings with the consultants and the District regarding the revision of the draft facilities plan, and regarding any aspect of the LUD formation process. The County shall provide technical support and consultation as necessary in developing each consultant's scope of

work and in reviewing the findings, public involvement materials, SEPA/NEPA documentation, facilities plan, and LUD formation process and materials.

5. Manner of Financing: The County shall contribute up to \$161,800 toward the cost of contracting with the consultants and up to an additional \$6,300 if a Preliminary Engineering Report (PER) and Environmental Document for the PER is generated. An additional contingency fund of \$20,000 is available for additional costs. Any expenditure of the contingency funds will require mutual agreement by the County and PUD. The District will contribute available funds remaining in their grant of \$11,500 from the Reclaimed Water Grant Program of the Department of Ecology. The District will contribute grant funds of \$18,700 from their USDA-RD Pre-development grant if the funds are available and are used for a PER and Environmental Document for the PER. Additional financial contributions could be provided by the County or District for future contract change orders, should additional funding be acquired or made available for the purposes set forth in this Agreement. Within thirty (30) days of receiving an invoice from the District for amounts due to a consultant, the County shall reimburse the District for those invoiced amounts.
6. Indemnification: Each party shall indemnify, defend and hold the other party harmless from and against any claim arising from any negligent or wrongful act or failure to act on the part of itself and its employees. Neither party assumes responsibility to the other party for the consequences of any act or omission of any person, firm or corporation not a party to this agreement.
7. Assignment of Duties and Obligations: Other than those duties that will be the responsibility of the consultants, neither party may assign any of their duties or obligations under this Agreement.
8. Entire Agreement/Amendment: This Agreement is the entire agreement between the Parties, unless otherwise specifically stated herein, and shall not be modified or amended in any manner except by an instrument in writing executed by the Parties. No prior agreement, correspondence, or portions thereof shall be used to interpret, modify, or explain the terms of the Agreement in the event that a dispute arises with respect to the Agreement.
9. Supplemental Agreements: The Parties agree to complete and execute all supplemental documents necessary or appropriate to fully implement the terms of this Agreement.
10. Waiver: No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant or agreement, and in case of a breach by either party of any covenant, agreement or undertaking, the nondefaulting party may nevertheless accept from the other any payment or payments or performance hereunder

without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults that were in existence at the time such payment or performance was accepted by it. The exercise of any remedy provided by law or the provisions of this Agreement shall not exclude other consistent remedies.

11. Applicable Law and Venue: This Agreement shall be construed in accordance with the laws of the State of Washington. Venue for any dispute related to the Agreement shall be Clallam County, Washington.
12. Severability: If a court of law determines any provision of the Agreement to be unenforceable or invalid, the parties hereto agree that all other portions of this Agreement shall remain valid and enforceable.
13. No Third Party Beneficiaries: This Agreement is made and entered into for the sole protection and benefit of the Parties and their successors and permitted assigns. No other person or entity shall have any right of action or interest in this Agreement based upon any provision of the Agreement.
14. Notices: All communications, notices and demands of any kind which any party requires or desires to give to any of the other parties shall be in writing and either served on the following individual(s) or deposited in the U.S. Mail, certified mail, postage prepaid, return receipt requested, and addressed as follows:

Public Utility District No. 1 of Clallam County
PO Box 1090
Port Angeles, WA 98362

Clallam County
Department of Community Development
223 East 4th St., Suite 5
Port Angeles, WA98362
15. Compliance with Laws: All Parties shall comply with all applicable federal, state and local laws, regulations and rules in performing this Agreement.
16. Interlocal Cooperation Act: The performance of the obligations of this Agreement shall be in compliance with the provisions of Ch. 39.34RCW, the Interlocal Cooperation Act. The Parties agree that no separate legal administrative entities are necessary in order to carry out this Agreement. There shall be no "joint board" as that term is used in RCW 39.34.030(4)(a).

- 17. Administration and Management: For purposes of RCW 39.34.030(4)(a), the District's Water and Wastewater Systems Assistant Superintendent shall serve as the Administrator responsible for administering the joint and cooperative undertaking set forth herein. As of the date of this Agreement, that position is held by Tom Martin. The District reserves the right to identify at a later date a different employee as the Administrator herein, or to change the job title of Mr. Martin without removing him as the Administrator herein.
- 18. Counterparts: This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- 19. Recording: This Agreement will be filed with the County Auditor pursuant to RCW 39.34.040 within five (5) days of the date of execution of this Agreement. All fees related to such recording shall be paid by the County. The District agrees to execute a release or other appropriate instruments as shall be necessary to certify compliance with the terms of this Agreement upon full and complete satisfaction of the terms of this Agreement.

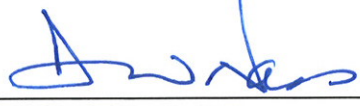
Clallam County, Washington

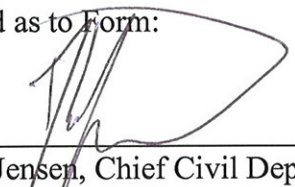
Public Utility District No. 1 of
Clallam County

Dated _____, 2011

Dated March 7, 2011

By: _____
Howard V. Doherty, Jr., Chair
223 E. 4th Street, Suite 4
Port Angeles, WA98362-3015

By:  _____
Doug Nass, General Manager
P.O. Box 1090
Port Angeles, WA98362-1090 *TM
mark*

Approved as to Form:


Douglas Jensen, Chief Civil Deputy

Approved as to Form:

Simon Barnhart, Attorney for the District

ATTEST:

Trish Holden, Clerk of the Board

Appendix A: BHC Phase 4 Amended Agreement-February 2011

**Public Utility District No 1. of Clallam County
Carlsborg Reclaimed Water Reuse System
Phase 4**

AMENDED AGREEMENT

February 2011

BHC will provide professional services to Public Utility District No. 1 of Clallam County (PUD) and Clallam County for the following:

- Revise the adopted Facilities Plan to include irrigation with reclaimed water
- Address comments from the Departments of Ecology and Health
- Support additional funding applications to the Rural Development Service
- Formation of a Local Utility District (LUD) to pay the local cost share for the Reclaimed Water Reuse System to serve part of the Carlsborg Urban Growth Area (UGA).

The actual formation decision will be made by the PUD Board of Commissioners based on information developed through this Scope of Work and public support.

AMENDED SCOPE OF WORK

Task 1 – Memorandum to Ecology

Create a draft Memorandum to the Department of Ecology (DOE) describing the proposed revisions to the adopted Facilities Plan that address the comments raised by DOE email of December 7, 2010, and during the meeting on December 8th based on the following:

- Ecology determined that the percolation system as shown is a direct discharge to Matriotti Creek, which requires an NPDES permit. Such a discharge raises water quality degradation concerns for temperature, dissolved oxygen and metals, as well as personal care products and pharmaceuticals. A dilution zone defined as 25 percent of the stream flow could be permitted; or discharge could be permitted without a mixing zone if water quality standards are met at the point of discharge.
- Clallam County and the PUD have agreed that the best approach to resolving Ecology concerns is by continued use of the Matriotti Creek percolation system shown in the adopted Facilities Plan when stream flows allow; and by sending reclaimed water to an irrigation entity during the dry season. Irrigation is usually described as supplemental water applied during the growing season at the agronomic rate required by the crop. This implies that when the crop is harvested or ceases to grow, irrigation should cease. However, late summer/early fall stream flow may still be too low to support an adequate dilution zone for the 20-year projected reclaimed water volume. It is not clear how long irrigation would be permitted during such seasonal conditions, though it would seem acceptable to irrigate grass that will continue to grow well into the rainy fall season.

- This two-season approach provides a direct environmental benefit through use of reclaimed water that may reduce peak potable water demand for the PUD; and may change the Biological Assessment (BA) finding of 'likely to adversely affect' Matriotti Creek to 'not likely to adversely affect'. That change may avoid a federal formal consultation, though an informal consultation would still be required.

DOE comments are directed at Washington State water quality standards and are not directly connected with Federal Endangered Species Act (ESA) or Critical Habitat (CH) issues that resulted in the BA finding of 'likely to adversely affect' Matriotti Creek. However, should the consultation with DOE through this task not result in a DOE indication that the proposed Facilities Plan revisions will result in a Facilities Plan acceptable to DOE the remaining tasks of this Amendment may warrant reconsideration.

The PUD and Clallam County will review and comment on the draft Memo.

Revise and forward the Memo to DOE, then arrange for either a meeting or a conference call to determine if the agreed approach is deemed approvable by DOE. A copy of the Memo will be provided to the State Department of Health for any further comments.

Participate in one (1) meeting/conference call with Ecology and provide minutes of the discussion.

Product: Provide one (1) draft Memo to Ecology
Revise the draft Memo once
Ecology conference minutes

Task 2 – Connection Policy

Assist the PUD and Clallam County in formulating a policy defining which parcels within the LUD **must** be connected to the initial sewer system under what specific conditions including public health issues or limitations.

Assist further in defining which parcels **may** be connected at property owner discretion. Provisions will be included for allowing sewer service to other UGA parcels, not in the LUD, subject to additional costs and capacity availability.

Product: Provide one (1) draft memo describing suggested Connection Policy
Revise the suggested Connection Policy once

Task 3 – Financial Hardship Adjustments

Assist Clallam County and the PUD to define policy for deferment of assessments including:

1. Property owner qualifications
2. Deferment duration
3. Interest rate and charges to be applied to the deferred assessment
4. Deferment termination procedure

Assist Clallam County and the PUD to define policy for financial hardship including:

1. Property owner qualifications
2. Hardship assistance to be provided
3. Hardship termination procedure

Estimate the annual costs of the above programs and suggest how they can be financed using the proposed \$1,000,000 loan from Clallam County.

Product: Provide one (1) draft memo describing suggested Financial Hardship Program
Revise the suggested Financial Hardship Program once

Task 4 – Capacity Allocation

Estimate the existing wastewater capacity needs of the developed non-residential parcels within the proposed LUD based on one-year of winter water consumption as provided by the PUD. Determine the total wastewater interception, treatment and reclaimed water reuse capacity needed by all existing residential and non-residential development within the LUD.

Estimate the dollar value of one equivalent residential unit (ERU) of capacity based on the estimated project costs share of the interception, treatment and disposal facilities, while excluding collection and connection costs, which is defined as the ‘ERU capacity value’.

Divide the Preliminary Assessment for each parcel by the ‘ERU capacity value’ to determine the base number of ERU’s benefit for each parcel. For those parcels where the existing wastewater use exceeds the base ERU benefit, an added ERU benefit equal to the excess wastewater use will be included without additional charge. Parcels that have functional onsite sewer systems or are not developed can have less than one (1) ERU of base capacity value, unless the property owner requests in writing to pay for additional capacity.

Tabulate the ERU capacity allocated to all parcels in the LUD; compare the total allocated capacity with the 570 ERUs capacity designed for the initial sewer system; and identify the capacity in ERU remaining to be allocated.

Product: Provide one (1) draft Capacity Allocation in Excel spreadsheet
Revise the Capacity Allocation spreadsheet once

Task 5 – Surplus Capacity Management

Assist the PUD and Clallam County in developing a plan for financing with a formula in ERU for the eventual sale of the unallocated interception, treatment, and reuse capacity of the initial 570 ERUs that will be built into the initial sewerage facilities. ‘Unallocated capacity’ means that portion of the initial 570 ERU that is not allocated to specific parcels in the Preliminary Assessment Roll,

Develop a financial formula in ERU to recover the cost of the oversized capacity built into the initial interception piping, treatment structures, and reuse facilities that exceeds the requirements for the LUD of 570 ERUs. 'Oversized capacity' refers to the ability of the interceptor system to accommodate peak flow exceeding 570 ERU, the capacity of the treatment structure to be upgraded with a higher capacity process, and the reuse application site to accommodate flows exceeding the initial 570 ERU.

Product: Provide memo for management of wastewater capacity surplus to LUD

Task 6 – Coordination with Special Benefit Study

The PUD will separately contract with Macaulay & Associates to conduct a special benefit study including all parcels (approximately 200) within the proposed LUD as shown in the adopted Facilities Plan to estimate the current value of each parcel under zoning appropriate to 1990 without sewers or an urban growth area, together with the estimated value of each parcel with sewer service under zoning densities recommended by the Carlsborg Citizens Advisory Council to Clallam County and as shown in the adopted Facilities Plan.

Results from Tasks 2, 3, 4 and 5 will be communicated to Macaulay & Associates by the PUD. BHC will be available to assist with interpreting these policies in relation to specific parcels as may be required by Macaulay & Associates.

BHC will review and comment on the draft special benefit study provided by Macaulay & Associates.

Product: Review comments on Special Benefit Study

Task 7 – Coordinate Revision of Biological Assessment

Summarize the estimated Matriotti Creek average flows by month from records provided by Clallam County and the PUD. Estimate the 7-year minimum flows by month.

Estimate the monthly average daily reclaimed water discharge to the percolation system, and the portion of the discharge reaching Matriotti Creek for the 5-year and 20-year development periods. Estimate the typical discharge parameters to the percolation basins and the parameters reaching Matriotti Creek for the following:

- Temperature
- Dissolved oxygen
- Copper

Subcontract with Herrera Environmental to model the Matriotti Creek water quality under the revised scenario. Coordinate with Herrera to determine the model results in relation to the likely affects on Endangered Species and Critical Habitat. Coordinate with Herrera for appropriate revisions to the BA.

Product: Develop estimated Matriotti Creek flow hydrograph for environmental model

Provide through Herrera Environmental a revised Biological Assessment

Task 8 – Public Involvement

Subcontract with Triangle Associates to develop and implement a public involvement program to inform property owners within the proposed LUD and the broader Carlsborg community of the following specifics:

1. LUD formation and final assessment process
2. Assessment methodology as developed through a special benefit study
3. Implementation schedule through construction, connection and final assessment
4. Benefits of an initial sewer system
5. Capacity allocated to parcels and the process to purchase additional capacity
6. Consequences of not providing sewers within the UGA

Bob Wheeler of Triangle Associates will facilitate a Public Workshop for property owners and interested persons to learn about and ask questions regarding the following:

- Special benefit study prepared by Macaulay & Associates
- Preliminary assessment roll
- LUD formation hearing
- Proposed sewer connection policies
- Carlsborg sewer facilities construction and operation
- LUD final assessment process
- Estimated sewer rates and charges
- Future sewer extensions

Participate in develop and implementing the Public Involvement program.

Product: Provide two (2) updates to the PUD website
Make one (1) set of edits to the Preliminary Assessment Notice and to the Letters to Affected Parties described in Tasks 14 and 15
Facilitate the Public Workshop described in Task 17
Participate in one (1) conference call monthly

Task 9 – Financing Plan

Develop a financing plan to limit assessments to the statutory 20-year limit while providing property owners with the financing benefits of such longer term, low-interest government loan programs as may be available. Financing plan after the initial 20-year assessment period will develop an appropriate estimated mix of the following debt repayment sources:

- Sewer rate surcharge taking effect after the 20-year period concludes and approximately equaling the annual assessment to each parcel divided into six billing periods
- Future sale of the ‘Surplus Capacity’ identified separately in Task 5
- Subsequent sewer extensions beyond the initial LUD sewer service area

Various legal, audit, bonding, and management considerations may limit the final specifics of the financing plan; and are beyond the expertise or control of BHC Consultants LLC and this scope.

The financing plan will be based an assembly of grant and loan funding sources to be defined by the PUD in association with Clallam County. These may include the Rural Development Service, the Public Works Trust Fund, Clallam County and other programs yet to be identified.

Product: Provide one (1) memo outlining how long-term, low-interest government financing can benefit property owners when LUD assessments are limited to 20 years

Task 10 – Facilities Plan Revisions

Revise the Facilities Plan to include a seasonal irrigation component. Clallam County and the PUD will identify and document interest by at least one irrigation entity to accept reclaimed water for a period to be determined through Tasks 1 and 7, which is expected to extend beyond the usual crop growing season and the agronomic application rate normally used in irrigation calculations.

Identify one (1) interested irrigation entity and the additional reclaimed water facilities required. Revise the Facilities Plan text, tables and figures to reflect the additional facilities. Estimate the revised costs including the irrigation component.

Incorporate results from the Task 7 revised BA water quality modeling.

Provide one (1) review draft of the revised Facilities Plan to the PUD and to Clallam County for comment. Incorporate revisions into final revised Facilities Plan.

Provide final revised Facilities Plan to DOE and DOH for comment before PUD adoption. Address comments received from DOE and DOH.

Revised Facilities Plan will be adopted by the PUD Board of Commissioners. BHC will not attend the adoption meeting unless in conjunction with the Task 18 meeting.

Product: Review draft of revised Facilities Plan
Final Revised Facilities Plan

Task 11 – Supplemental Preliminary Engineering Report

Prepare a Facilities Plan Supplement that addresses the Preliminary Engineering Report requirements as outlined in USDA – Rural Utilities Service Bulletin 1780-3 as further describe below:

1. Compose the basic PER Supplement documentation to include the following:
 - Cross-reference PER requirements to final Facilities Plan sections
 - Estimate the sewer connections for the initial 2 years and resulting flows
 - Compare initial residential, non-residential and large customers

2. Expand the alternatives documentation:

- Optimize current onsite facilities with enhanced treatment in relation to the requirements of the Growth Management Act
 - Update the regional concept with the City of Sequim wastewater system
 - Analyze centrally managed small cluster treatment systems
 - Describe additional reclaimed water uses developed by the PUD and the County
 - Describe additional application sites identified by the PUD and the County
3. Conduct water rights impairment analysis:
- Estimate onsite drainfield flows replaced by sewer service during initial 2 years
 - Describe percolation/irrigation system effect on Unit 1 aquifer
 - Document expansion of PUD water service in lieu of private wells
4. Extend the financial analysis:
- Expand the O&M cost analysis to show labor, power, chemicals & replacements
 - Develop present worth using federal discount rate and salvage value
 - Define and identify short-lived assets
 - Summarize O&M costs for the initial six months of sewer service
 - Document debt repayment program for LUD assessment plus other debt
 - Project sewer system rate structure with income for the first two years
 - Identify revenue from reclaimed water
 - Describe the proposed debt service reserve fund
 - Quantify short-lived asset reserve fund

Provide draft PER Supplement to the PUD and to Clallam County for review and comment. Incorporate comments from one (1) review draft into the final PER Supplement.

Product: Draft Facilities Plan PER Supplement
Final Facilities Plan PER Supplement

Task 12 – Environmental Documentation for PER

Revise and update the NEPA Environmental Report included in the Facilities Plan Affiliated Documents to comply with Rural Development Instruction 1940 –G, Exhibit H as outlined below:

1. Project description and need
2. Primary beneficiaries and related activities
3. Description of project area
4. Environmental impact
 - Air quality
 - Water quality
 - Solid waste management
 - Land use
 - Transportation
 - Natural environment
 - Human population

- Construction
 - Energy impacts
 - Additional relevant impacts
5. Coastal zone management act
 6. Historic preservation regulations
 7. Wild and scenic rivers act
 8. Endangered species act
 9. Farmlands protection act
 10. Floodplain management and wetlands protection
 11. Coastal barrier resources act
 12. State environmental policy act
 13. Intergovernmental review
 14. Participating federal agencies
 15. Reaction to project
 16. Cumulative impacts
 17. Adverse impacts
 18. Alternatives
 19. Mitigation measures
 20. Consistency with Rural Development environmental policies
 21. Environmental determinations

Create the draft Environmental Assessment addressing the above topics as described in Exhibit H as applicable to Carlsborg and provide the draft assessment to the PUD and Clallam County for review. Incorporate comments from the PUD and Clallam County into the final Environmental Assessment.

Provide a draft Public Notice for publication and distribution by the PUD in accordance with Rural Development Instruction 1940-G, Section 331. The PUD will administer the comment period and provide for a public information forum at a regular meeting of the PUD Board of Commissioners, or such an opportunity as decided by the PUD.

Revised the SEPA/NEPA Environmental Report included as an Affiliated Document with the Facilities Plan to reflect the revisions made to the Facilities Plan.

Product: Draft Environmental Assessment
 Final Environmental Assessment
 Draft Public Notice
 Revised NEPA Environmental Report

Task 13 – Assessment Methodology

Using the Special Benefit Study prepared by Macaulay & Associates, develop an assessment methodology that integrates benefits, costs, grants and other funding factors so the assessed amount is equitably distributed to benefiting parcels. The actual dollar amount to be assessed will be directed by the PUD Commissioners and will not exceed the Special Benefit determined

for each parcel in the Special Benefit Study. The Assessment Methodology will be created in Excel format from the Special Benefit Study.

Draft assessment methodology will be reviewed by the PUD bond counsel, Triangle Associates and Macaulay & Associates; then with PUD and County staff.

PUD Commissioners will approve the methodology to be used in preparing the Preliminary Assessment Roll.

Product: Provide assessment methodology in Excel spreadsheet

Task 14 – Preliminary Assessment Notice

Develop the initial draft of the Preliminary Assessment Notice form to be prepared for each specific parcel within the LUD and to be sent to each owner. The Notice will explain the LUD assessment process, provide notification of the public hearing, invite owners to the Public Workshop, state that final assessments may vary from the preliminary assessment, define the capacity provided to the parcel for the assessed amount, advise owners that additional capacity in ERUs can be purchased under the preliminary assessment price and terms, and state that subsequent capacity purchases will be at higher costs without public financing.

Draft assessment methodology will be reviewed by the PUD bond counsel and Triangle Associates; then with PUD and County staff.

Product: Provide one (1) draft Preliminary Assessment Notice in Excel format
Revise the Preliminary Assessment Notice once

Task 15 – Letters to Affected Parties

Prepare draft letters based on the Preliminary Assessment Notice to be mailed to the following groups:

1. Property owners adjacent to the LUD as required by state law
2. Owners of property within the UGA and outside of the LUD
3. Residents of the UGA who are not property owners
4. Property owners outside the UGA who may be affected by the proposed reuse tank
5. Interested parties in the Dungeness Valley

Draft letters will be reviewed by the PUD bond counsel and Triangle Associates; then with PUD and County staff.

Names and addresses for persons within each affected group will be developed by the PUD and by Clallam County. The resulting letters will be printed and mailed by the PUD as the Lead Agency for the LUD.

Product: Provide one (1) set of draft Letters to Affected Parties
Revise the draft Letters to Affected Parties once

Task 16 – Preliminary Assessment Roll

Prepare the Preliminary Assessment Roll and define the amount assessed to each parcel according to the methodology adopted in Task 13 so no parcel is assessed more than the special benefit conferred. The Roll will be compiled in an Excel spreadsheet format allowing for future computations using the same methodology and for the printing of Preliminary Assessment Notices for each individual parcel suitable for mailing to the owner of record.

Draft Preliminary Assessment Roll will be reviewed by the PUD bond counsel and Triangle Associates; then with PUD and County staff.

Product: Provide one (1) draft Preliminary Assessment Roll in Excel format
Revise the draft Preliminary Assessment Roll once

Task 17 – Public Workshop

With Triangle Associates, assist the PUD and Clallam County with organizing one (1) Public Workshop to be announced in the Preliminary Assessment Notice plus such other advertisements as are arranged and published by the PUD. The Workshop will occur at least one week after the Preliminary Assessment Notices are mailed and at least one week before the Formation Hearing in space provided by the PUD.

Bob Wheeler of Triangle Associates will facilitate the Workshop with assistance from Macaulay & Associates to help LUD property owners, and other interested persons, to understand the Preliminary Assessment Notice, the assessment methodology, the benefit to a specific parcel conferred by the assessment, the financing program, the process and schedule for proceeding with the LUD, provisions for future sewer service extensions, and the consequences of not building sewers within the UGA.

Product: Provide one (1) set of draft handouts as described in Task 3
Revise the draft handout once
Facilitate the Public Workshop

Task 18 – Meeting with PUD Commissioners

Meet once with the PUD Commissioners on a date of their choosing to discuss progress towards LUD formation and to respond to questions from the Commissioners. The meeting will be public; however, information presented will be directed primarily to the Commissioners. Public information will not be prepared though questions from the public will be addressed as requested by the Commissioners.

Product: Meet once with the PUD Commissioners if requested

Task 19 – Meeting with Clallam County Commissioners

Meet once with the Clallam County Commissioners on a date of their choosing to discuss progress towards LUD formation and to respond to questions from the Commissioners. The meeting will be public; however, information presented will be directed primarily to the Commissioners. Public information will not be prepared though questions from the public will be addressed as requested by the Commissioners.

Product: Meet one with Clallam County Commissioners if requested

Task 20 – LUD Formation Hearing

Attend the Formation Hearing to be conducted by the PUD in one (1) session. Continuation of the Hearing to a second date is not included and would incur additional cost.

PUD will conduct the Public Hearing and provide a written transcript of comments received.

Product: Attend the Formation Hearing as a one-day event

Task 21 – LUD Formation Decision

Review the public comment transcript provided by the PUD, draft responses to comments, and provide recommendations to revise the Preliminary Assessment Roll and/or the LUD boundary as deemed appropriate.

Attend one (1) meeting with the PUD Commissioners to decide whether an LUD will be formed; which parcels will be included; and which will be excluded from those receiving a Preliminary Assessment Notice.

Product: Provide memo of responses to public comment and suggested actions for the PUD Commissioners
Attend one (1) meeting with the PUD Commissioners to decide whether or not to form an LUD, the LUD boundary will be, and any revisions appropriate to the preliminary assessments

Task 22 – Project Management

Coordinate by telephone and email with the PUD project officer and the Clallam County counterpart during the 9-month work period as shown in the Schedule included herein.

Manage subconsultant contract for public involvement, if necessary.

Invoice the PUD at four (4) week intervals for work accomplished under this Scope of Work. The PUD will define such invoice constraints and organization that may be necessary to meet accounting requirements of different funding sources as may be involved.

Product: Coordination as needed with PUD and County staff
Invoices at 4-week intervals for about ten (10) billing periods
Management of subconsultants

SCHEDULE

The expected project schedule was set by the PUD following discussions with Macaulay & Associates and bond counsel regarding the timing of the special benefit study together with the related activities leading to the Formation Hearing.

Task	Early Start	Late Start	Early Finish	Late Finish
Special Benefit Study	April 1	June 1	June 30	June 31
Preliminary Assessments	July 1	August 1	July 15	August 30
Workshop	July 16	September 15	August 15	October 30
Revisions	August 16	November 1	August 16	November 15
Formation Hearing	August 16	November 16	September 15	December 31
Protest Period	September 16	December 31	October 15	January 30

The Schedule as shown includes only major milestones. Two key tasks may affect the Schedule and may require reconsideration of the Scope of Work:

- Task 1 – DOE Memo is expected to gain DOE concurrence that inclusion of a seasonal irrigation component is likely to produce an approvable Facilities Plan. If DOE concurrence does not appear likely, the PUD and Clallam County may want to reconsider the Scope of Work.
- Task 7 – BA Revision is expected to produce a finding of ‘not likely to adversely affect’ either a listed species or a critical habitat. If it does not, the PUD and Clallam County may want to reconsider the Scope of Work.

Tasks 2 through 5 should be started before the Special Benefit Study and those tasks must be completed before the Special Benefit Study can be finished. Accordingly, Tasks 1 through 22 as described in this Scope of Work may extend from about February 1 through November 30, 2011.

Adherence to the Schedule is not entirely within the control of BHC Consultants. Most tasks involve the timely participation of the Clallam PUD and Clallam County as well as by subconsultants, the public and several agencies. Allowances have been included for these participatory activities; however, the Schedule and the resulting Budget may require amendment.

BUDGET

Estimated costs to complete the Tasks described in the Scope of Work and over the Schedule defined above are summarized below:

Task	Description	Work Weeks	Work Hours	Labor Cost
1	Ecology Memorandum	2	32	\$ 5,300
2	Connection Policy	2	12	\$ 2,000
3	Financial Hardship Adjustments	2	16	\$ 2,600
4	Capacity Allocation	3	32	\$ 5,300
5	Surplus Capacity Management	2	16	\$ 2,600
6	Coordination w Special Benefit Study	14	20	\$ 3,300
7	BA Coordination	6	32	\$ 5,300
8	Public Involvement	36	24	\$ 4,000
9	Financing Plan	3	20	\$ 3,300
10	Facilities Plan Revisions	4	54	\$ 8,100
11	PER Supplement	4	64	\$ 10,600*
12	PER Environmental Document	3	84	\$ 11,200*
13	Assessment Methodology	2	12	\$ 2,000
14	Preliminary Assessment Notice	3	12	\$ 2,000
15	Letters to Affected parties	3	16	\$ 2,500
16	Preliminary Assessment Roll	3	24	\$ 3,600
17	Public Workshop	3	32	\$ 4,800
18	Meeting with PUD Commissioners	1	12	\$ 2,000
19	Meeting with County Commissioners	1	12	\$ 2,000
20	LUD Formation Hearing	3	12	\$ 2,000
21	LUD Formation Decision	2	20	\$ 3,300
22	Project Management	40	72	\$ 10,300
	Subtotal (work weeks not additive)	40	616	\$ 98,100
	Communications			\$ 2,100
	PER Communications			\$ 400*
	Reimbursables			\$ 1,300
	PER Reimbursables			\$ 700*
	Triangle Associates			\$ 25,900
	Herrera Environmental			\$ 8,900
	PER Herrera Environmental			\$ 2,100*
	Grand Total			\$114,500

*Contingent upon need for PER

Labor hours budgeted are allocated based on estimated work effort required for the tasks shown; however work hours will not be tracked by individual task. Invoices will reflect simply the hours and costs incurred to date for the project as a whole.

Appendix B: Macaulay & Associates, Ltd--Time and fee proposal (December 16, 2010)

Macaulay & Associates, Ltd. Real Estate Appraisers & Consultants
2927 Colby Avenue, Suite 100 • Everett, WA 98201
Everett 425-258-2611 • Seattle 206-382-9711 • Fax 425-252-1210

December 16, 2010

Mr. Tom Martin, P.E.
Assistant Superintendent
Water and Wastewater Systems
Public Utility District #1 of Clallam County
PO Box 1090
Port Angeles, WA 98362-1090

Re: Time and fee proposal for a preliminary special benefit/proportionate assessment study for a proposed local utility district (LUD) project which would provide sanitary sewer service to the Carlsborg area of unincorporated Clallam County, WA.

Dear Mr. Martin:

In accordance with your request, the scope of work for the above-referenced assignment is summarized herein, together with a time and fee estimate. This proposal is based on the information provided and familiarity with the area which I gained from completing a feasibility study in connection with the proposed project.

The scope of the assignment will involve completion of a preliminary special benefit/proportionate assessment study and preparation of a report summarizing our findings. This report will consider physical and economic characteristics of each affected parcel. A base study will be undertaken, to consist of the assemblage of pertinent market data and investigation of the environmental, economic, governmental and social forces influencing the subject area. Consideration will be given to current zoning, land use trends, building improvements, wetland areas, highest and best use and other factors influencing market value for each property type or ownership, without and with the amenity of the LUD project.

The increase in probable market value adhering to each parcel due to the project is the measure of special benefit. The total assessment to be levied will be obtained from the municipal LUD coordinator. The sum of the special benefits estimated for each parcel is the total special benefit attributable to assessable property within the proposed LUD; this total divided into the total assessment provides the assessment ratio or the LUD assessment per dollar of special benefit.

The special benefit to each parcel multiplied by the cost/benefit ratio results in the individual assessment recommended to that parcel.

The recommended assessments will meet the following criteria:

- a) The recommended assessment will be equal to or less than the special benefit accruing to that particular parcel.
- b) Each recommended assessment will be fair and in proportion to the special benefit derived by that parcel and all other parcels due to the LUD project.

There are many variables in a sizable project such as this which spans an extended time period. It has been our experience when working on projects of this magnitude that there are often scheduling changes as well as revisions to the scope of our assignment and other unforeseen complications which can result in increased time expenditures. Although this proposal is currently our best estimate of the scope of the assignment, some flexibility in contract arrangements into which we enter would be most beneficial to both parties. We have made every effort to estimate the hours needed to successfully complete the assignment. However, if the scope of work is expanded or other significant factors at some point enter into defining our assignment, it may be necessary to negotiate supplemental agreements or contract amendments.

Completion of our work, as the assignment is described herein, will result in a preliminary or formation special benefit study report which provides a narrative summary of the study and tabulation of recommended preliminary assessments for all assessable parcels specially benefitted by the project. Due to the assignment scope and number of parcels, individual appraisal reports on each are not prepared. Limited assignment appraisal techniques are utilized and a spreadsheet summarizing our value conclusions without and with the LUD assumed completed is undertaken.

The report will be prepared in compliance with the reporting requirements set forth under Standard 6 of the Uniform Standards of Professional Appraisal Practice (USPAP) for a summary mass appraisal report. Based on the above scope of work, the time and fee estimate is summarized in the table on the following page.

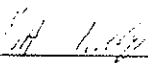
Mr. Martin
December 16, 2010
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Personnel	Task	Est. Hours	Hourly Rate	Total
Robert Macaulay, MAI	Analysis, property inspections, meetings/consultation, report preparation	200	\$225	\$45,000
Ashley Zacharia, appraiser trainee	Project coordination, market research, spread sheet compilation, analysis assistance, and property data review.	120	\$85	\$10,200
Yvonne Alexander-Smith, senior editor	Market research, report preparation assistance and report editing.	40	\$90	\$3,600
Total Proposed Fee				\$58,800

Additional work for individual property owner meetings, court testimony, trial preparation or individual report preparation would be billed separately at the hourly rates summarized above. Estimated completion time is seven to ten weeks once we have authorization to proceed.

This project looks interesting and challenging and we appreciate the opportunity to make this proposal. Please call if you have further questions.

Respectfully submitted,
MACAULAY & ASSOCIATES, LTD.



Robert J. Macaulay, MAI
WA State Certified - General Appraiser No. 1100517