

AGREEMENT REGARDING WATER SYSTEM ACQUISITION

This Agreement Regarding Water System Acquisition (“Contract”) is dated this ____ day of July, 2021 and is made by and between Public Utility District No. 1 of Mason County, Washington (PUD 1) and Public Utility District No. 3 of Mason County, Washington (PUD 3).

RECITALS:

- A. PUD 1 and PUD 3 are municipal corporations organized and operating under Title 54 RCW;
- B. The boundaries of both PUD 1 and PUD 3 are within Mason County;
- C. PUD 1 and PUD 3 are both engaged in the business of distributing electricity, but at present only PUD 1 operates water systems;
- D. RCW 54.16.030 authorizes either district to construct, purchase, condemn, acquire, add to, maintain, conduct and operate water works and systems, within or without its limits, for the purpose of furnishing their respective districts, and the inhabitants thereof, and any other persons including public and private corporations within or without their respective limits with an ample supply of water for all purposes;
- E. RCW 54.16.090 authorizes PUD 1 and PUD 3 to enter into any contract or agreement for carrying out any of the powers authorized by Title 54 RCW;
- F. RCW 54.16.200 authorizes PUD 1 and PUD 3 to exercise jointly all powers granted to each individual district;
- G. PUD 1 has received, and is willing and able to respond to, requests from owners of private water systems located in Mason County, including certain systems located within the boundaries of PUD 3 to own and/or operate those systems;
- H. PUD 3 has no current plans to own or operate water systems either within or without its boundaries. PUD 3 has therefore determined that it is in the best interests of the residents of PUD 3 to facilitate PUD 1’s ownership and/or operation of public or private water systems within the boundaries of PUD 3 when PUD 1 receives requests for such ownership and/or operation. PUD 3 therefore authorizes and approves PUD 1 to acquire, own, manage and/or operate such water systems in accordance with this Contract.
- I. PUD 1 and PUD 3 have determined that the acts authorized in this Contract are necessary to carry out the policy of the State of Washington by ensuring a safe and reliable water supply in compliance with applicable regulations for the residents of PUD 3.

NOW THEREFORE, in consideration of the mutual covenants and conditions hereinafter provided the parties agree as follows:

1. PUD 3 hereby consents, approves, authorizes and acquiesces in PUD 1’s acquisition, ownership, operation, management, repair, maintenance and/or expansion of any public or private water system located within the boundaries of PUD 3 when PUD 1 receives a written request to acquire, manage

and/or operate the system. PUD 1 shall determine in its sole discretion the terms under which it will provide services and/or undertake an acquisition, if at all.

2. PUD 1 shall notify PUD 3 in writing when such a request has been made. In addition, PUD 3 shall refer requests it receives for ownership or operation of public or private water systems within its boundaries to PUD 1.

3. This contract shall terminate six months after one party gives the other party written notice of its intent to terminate. Termination of this Contract, however, shall not affect any right or ability then established by PUD 1 in any water system, and PUD 1 shall continue to own, operate, manage repair, maintain, or expand any such water system. Thus, the termination of this Contract merely prevents PUD 1 from entering into new arrangements with third parties (from and after the termination date) for the ownership and/or operation of water systems within PUD 3 to the extent that the approval of PUD 3 would be required before PUD 1 could lawfully enter into such arrangements. This Contract shall terminate on the date that is 25 years after the date first written above, unless earlier terminated in accordance with this Contract.

4. Nothing in this Contract is intended nor shall it be construed to create any rights in third parties.

Public Utility District No. 1 of Mason County
General Manager

Public Utility District No. 3 of Mason County
General Manager
