

AGREEMENT
Water Supply Agreement Between the Cities of Lacey and Olympia
For the Short-Term Use of Wholesale Water

THIS AGREEMENT is made and entered into this ____ day of _____, 2024 by and between the City of Lacey, a municipal corporation of the State of Washington, hereinafter referred to as “Lacey,” and the City of Olympia, a municipal corporation of the State of Washington, hereinafter referred to as “Olympia”, collectively hereinafter referred to as the “parties”.

WHEREAS, the Parties recognize that water resources are finite and vulnerable, and the prudent use and management of these resources requires cooperation among water utilities, and

WHEREAS, Olympia provided wholesale water to Lacey until June 30, 2016 under an Intergovernmental Agreement for the Sale of Water through the intertie covered by the Agreement, and

WHEREAS, Olympia and Lacey have an Intergovernmental Agreement for the Use of Emergency Water System Intertie which allows for, but does not guarantee, the use of water through the intertie covered by the Agreement during an emergency resulting from a major water line break, contamination to the water supply system, mechanical equipment failure, or any other mutually agreed upon emergency affecting the water supply system; and

WHEREAS, Lacey has a short-term need for supplemental water supplies as Lacey undertakes capital projects anticipated to occur between 2024 and 2028 and to include adding corrosion control at the College Street and Madrona wellfields and making upgrades to the Hawks Prairie reservoirs; and

WHEREAS, the purpose of this Agreement between the Parties is to establish the conditions under which Olympia agrees to provide wholesale water to Lacey and Lacey agrees to purchase wholesale water from Olympia as Lacey undertakes capital projects which are anticipated to impact water resource availability; and

WHEREAS, this Agreement is authorized under Chapter 39.34 RCW, WAC 246-290-131 and WAC 246-290-132; and

WHEREAS, the Parties recognize entering into this agreement does not provide a guarantee of water resource availability beyond the conditions described within this Agreement, and

WHEREAS, this Agreement is consistent with the North Thurston County Coordinated Water System Plan;

NOW, THEREFORE, the parties agree to this Agreement as follows:

I. AGREEMENT TO SELL WATER

Olympia agrees to sell to Lacey and Lacey agrees to purchase from Olympia, an amount of potable water for Lacey, as follows:

A. During the term of the Agreement, Olympia shall supply up to two million gallons per day of water to Lacey.

B. The delivery point at which Olympia will deliver and Lacey will receive said water shall be at the discharge flanges of the meter used to measure the water delivered to Lacey at the system intertie at Pacific Avenue and Mountain Aire, west of Marvin Road (“Lacey intertie”).

C. All water provided by Olympia to Lacey will be metered through a new meter owned by Olympia. New meter and any associated parts and materials will be paid for by Lacey. The new meter install will be done by Olympia’s staff. Total cost of meter and parts will not exceed \$5000. If the existing meter is to be used until the new meter is installed, Lacey shall calibrate the meter and provide calibration results to Olympia. In either case, Olympia will read the meter for billing purposes under this Agreement.

D. Initial activation of the intertie for water used under this Agreement shall be administered by Olympia’s and Lacey’s Public Works Departments. Lacey agrees to provide a minimum of 24-hour notice to Olympia prior to initial activation of the intertie under this Agreement.

E. Lacey shall at its own expense maintain any pump stations necessary to provide water purchased from Olympia to Lacey customers in the Lacey Water System.

F. Olympia may temporarily interrupt or reduce delivery of water to Lacey in event of a loss of supply emergency at Olympia’s McAllister Wellfield or any point upstream of the Lacey intertie, and, if Olympia, acting in good faith, determines that system emergencies or maintenance and repair actually require supply interruption. Except for in emergencies, Olympia shall provide Lacey reasonable written notice of interruption or reduction, the reason therefore, and the likely duration thereof at least 8 weeks prior to the anticipated event to allow adequate time for Lacey and Olympia to schedule the curtailment. In the event of any emergency, Olympia will notify Lacey of the need for immediate supply interruption as soon as reasonably possible. For the purposes of this agreement, a loss of supply emergency is defined as any unforeseen supply disruption that will take longer than two (2) hours to resolve.

Olympia shall make a good faith effort to perform routine maintenance when system usage is the lowest.

G. The quality of water supplied to Lacey pursuant to this Agreement shall meet or exceed all applicable federal and state rules and regulations governing water quality for Group A water systems. Olympia shall treat the water supplied to Lacey to meet or exceed current and future standards required by State adopted limits. Olympia will immediately notify Lacey of any changes to water quality or any unsatisfactory water sample results.

H. Lacey shall use water purchased under this Agreement solely for subsequent retail sale to customers within the Lacey Water System retail service area as approved by the Washington State Department of Health.

I. If through meter readings Lacey is found to be drawing more than 2 million gallons of water per day from Olympia's Water System, Olympia may charge Lacey its current retail irrigation customer rate for any use above the daily maximum. If following notice to correct by Olympia, Lacey continues to use more than the daily maximum, Olympia shall have the option to immediately terminate this Agreement.

J. In the event of a State declared drought, Lacey agrees to implement conservation measures which are, at a minimum, equal to measures implemented by Olympia.

II. RATE COMPONENTS

A. The rates for water supply services to be paid by Lacey to Olympia in 2024 shall be a fixed monthly charge of \$12,785.82 plus volume charges of \$1.22 per ccf (hundred cubic feet) consumed. These rates have been established to incorporate allocated operating expenses (including city utility tax), capital recovery costs, and a capacity rental charge of 13.2 percent.

B. For a period of three years following the conclusion of each calendar year, Lacey shall have the right to audit Olympia's cost records associated with this Agreement. Lacey shall retain the consultant and pay the consultant costs associated with performance of any such audits. Olympia shall maintain appropriate accounting records and make them available for inspection by Lacey's auditors.

C. Beginning in 2025 and each calendar year throughout the term of the Agreement, Olympia shall annually increase the fixed and volume charges in paragraph A at the

same rate as the published Seattle consumer price index and shall notify Lacey of the adjusted rate within 60 days of the new year. This annual increase is delegated to each party's contract manager for approval and signature and will not require approval of an amendment by each party's respective governing authority. Each price increase shall result in an amendment to this Agreement and shall be properly filed or posted with each jurisdiction's interlocal agreement records.

D. Olympia shall bill Lacey the fixed monthly charge and the calculated volume charges each month, and Lacey shall remit to Olympia the billed amount within thirty (30) days of the date of the billing. Olympia shall provide Lacey with the actual source meter readings which indicate the exact amount of usage (in ccf) for the month being billed.

E. Throughout the time period covered by this Agreement, either Olympia or Lacey may request a recalculation of the rates charged under this Agreement provided that there is a material change in cost structure or service level and the requesting party assumes all costs of the rate analysis.

III. INTERLOCAL ELEMENTS:

A. Duration. This agreement shall be run through December 31, 2028, unless terminated earlier by mutual agreement of the Parties. Lacey shall have the option to renew this agreement for a period of one additional year by providing notice to Olympia at least six months prior to the end of the term.

B. No separate legal entity is created by this agreement.

C. No joint organization is created.

D. No common budget is to be established.

E. No personal or real property is to be jointly acquired.

F. This Water Supply Agreement shall be effective immediately upon signature by both parties and shall remain in effect as provided herein, unless terminated by either:

- Unilateral written notice by one party to the other that it intends to withdraw from this Agreement, in which case the termination will be effective immediately, unless otherwise specified, or

- Written agreement signed by both parties, in which case the termination shall be effective immediately upon signature of both parties, unless another termination date mutually agreed to by both parties is specified.

G. The Contract Administrator for Olympia shall be the Olympia Drinking Water Utility Director. The Contract Administrator for Lacey shall be the Lacey Water Resources Manager.

H. This agreement shall be recorded with the Thurston County Auditor's Office prior to being effective, and in accordance with the requirements of RCW 39.34.040.

I. Each party shall be responsible for its own finances and for its own personal and real property.

IV. GENERAL CONDITIONS

A. All lawsuits whatsoever in regards to this agreement shall be brought in Thurston County Superior Court. The governing law shall be laws of Washington State.

B. All notices with regard to this agreement shall be sent in addition to any other legal requirement to:

City of Olympia:

City of Olympia Public Works
Attention: Mike Vessey, Drinking Water Utility Director
PO Box 1967
Olympia, WA 98507

City of Lacey:

City of Lacey
Attention: Peter C. Brooks, P.E., Water Resources Manager
420 College Street SE
Lacey, WA 98509-3400

V. INDEMNIFICATION & INSURANCE

A. Each party agrees to defend, indemnify and hold the other party, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including reasonable attorney fees, arising out of or in connection with the indemnifying Party's performance of this Agreement, including injuries and damages caused by the negligence of the indemnifying Party's officer's, officials, and employees.

This Agreement may be executed in counterpart and/or by electronically transmitted signature (pdf or similar). This Agreement is hereby entered into between the Cities and shall take effect on the date of the last authorizing signature affixed hereto:

CITY OF LACEY

CITY OF OLYMPIA

By: _____
City Manager

By: _____
City Manager

ATTEST:

By: _____
City Clerk

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

By: 
Deputy City Attorney