

**THREE RIVERS REGIONAL WASTEWATER AUTHORITY
JOINT MUNICIPAL UTILITY SERVICES AGREEMENT**

SECTION 1. PARTIES AND AGREEMENT.

The Parties to this “Agreement” are the City of Kelso, the City of Longview, Cowlitz County, and the Beacon Hill Water and Sewer District. The Parties are the Original Members of the Three Rivers Regional Wastewater Authority. The Parties agree as follows.

SECTION 2. RECITALS AND FINDINGS.

2.1 The public health, safety, and welfare of the residents of Kelso, Longview, Cowlitz County, and the Beacon Hill Water and Sewer District require the continued improvement of systems to provide sewerage collection, treatment, and disposal, the mitigation of water pollution, and the preservation of the area’s water resources.

2.2 Population growth, unique physical and topographic conditions, and the regional commitment to preserve water resources require a central sewage treatment plant, together with interceptors, pumping stations, and other assets and properties (the “Regional Assets”). Under the terms of a previous agreement, the Parties acquired ownership of the land upon which the Regional Assets are situated, together with ownership of related easements for sewer transmission lines. The continued improvement and operation of the Regional Assets require the Parties within the specified Longview-Kelso Urban Area to dispose of their sewage in the Regional Assets.

2.3 In 2005, the Parties organized the THREE RIVERS REGIONAL WASTEWATER AUTHORITY (“TRRWA”), as a successor to the Cowlitz Sewer Operating Board, a “joint board” under Chapter 39.34 RCW, through the “2005 Revised and Restated Interlocal Agreement Among City of Kelso, City of Longview, Beacon Hill Sewer District, and Cowlitz County for Wastewater Treatment & Disposal” last dated December 13, 2005 (the “2005 Interlocal Agreement”), as supplemented by the “Interlocal Agreement for Financing of Biosolids Processing Improvements” last dated May 11, 2006 (the “Supplemental Agreement”) (together, the “Pre-Formation Agreements”). TRRWA ensures continued operation and improvement of the Regional Assets in order to maintain compliance with applicable federal, state, and local laws and regulations. The Parties jointly govern TRRWA by each appointing a representative to serve on TRRWA’s four-member Board. The Board exercises necessary powers and responsibilities to operate and maintain the Regional Assets, while ensuring representation in regional authority governance by each Party.

2.4 Prior to the 2005 Interlocal Agreement, the Parties cooperated with respect to the Regional Assets pursuant to the “Interlocal Agreement Among City of Kelso, City of Longview, Beacon Hill Sewer District and Cowlitz County for Wastewater Treatment and Disposal” executed between May and July, 1996, as amended by the agreement denominated “First Amendment to Interlocal Agreement among City of Kelso, City of Longview, Beacon Hill Sewer District, and Cowlitz County for Wastewater Treatment and Disposal” effective June 1, 1998, as amended by the agreement entitled “Revised and Restated Interlocal Agreement Among City of Kelso, City of Longview, Beacon Hill Sewer District, and Cowlitz County for

Wastewater Treatment and Disposal” effective on or about the 1st day of September, 2002, as supplemented by two separate agreements each denominated “Interlocal Agreement for Financing of Wastewater Treatment Plant Expansion” and dated July 26, 1999 (one with respect to \$40 million of general obligation bonds issued by the County, and the other with respect to a \$7 million Public Works Trust Fund loan), and as further supplemented by the “Interlocal Agreement for Supplemental Financing of Wastewater Treatment Plan Expansion” executed in April and May 2001, with respect to a \$3 million Public Works Trust Fund loan.

2.5 The Parties continue to be served by the Regional Assets, and each equitably shares in the Regional Assets’ operating costs and improvement financing. TRRWA currently plans and provides for the long-term capital and operational needs of the Regional Assets, which may include mandated technological and regulatory changes and increased capacity and space demands.

2.6 Under the Joint Municipal Utility Services Act (Chapter 39.106 RCW), certain local governments and federally-recognized Indian tribes may enter into joint municipal utility services agreements to form independent municipal corporations to perform any or all of the utility services that their participating members may perform.

2.7 The Parties find that organizing TRRWA as an authority under the Act will enable TRRWA to more effectively and efficiently operate, maintain, and improve the Regional Assets. Because TRRWA’s existing obligations will be the obligations of the successor TRRWA formed under this Agreement, the Parties further find that replacement of the Pre-Formation Agreements with this Agreement will not adversely affect the rights of owners of Bonds currently outstanding under the Parties’ covenants and obligations with respect to the Pre-Formation Agreements. This Agreement therefore organizes TRRWA as a joint municipal utility authority and independent municipal corporation under the Act and replaces the Pre-Formation Agreements in accordance with RCW 39.106.080.

SECTION 3. DEFINITIONS,

3.1 “Act” means the Joint Municipal Utility Services Act, Chapter 39.106 RCW.

3.2 “Additional Member” means any governmental participant, other than an Original Member, that provides wastewater services and joins TRRWA as a Member after execution of this agreement in accordance with Subsection 5.6.

3.3 “Agreement” means this “Three Rivers Regional Wastewater Authority Joint Municipal Utility Services Agreement.”

3.4 “Annual Average Daily Flow” or “AADF” means the total Flow of Wastewater in millions of gallons during a full calendar year, divided by the number of days in such year, expressed in millions of gallons per day.

3.5 “Beacon Hill Water and Sewer District” (formerly the “Beacon Hill Sewer District”) means the Beacon Hill Water and Sewer District, a Washington municipal corporation and water-sewer district organized under Title 57 RCW.

3.6 “Biochemical Oxygen Demand” or “BOD” means a standardized laboratory procedure which measures the amount of oxygen consumed in a wastewater sample during a specified incubation period. This test is described in the most current version of the book entitled “Standard Methods for the Examination of Water and Wastewater.”

3.7 “Board” means the TRRWA Board of Directors, as set forth in SECTION 4.

3.8 “Bonds” means bonds, notes or other evidences of indebtedness issued by TRRWA or by another entity (*e.g.*, by a Member) on behalf of TRRWA.

3.9 “Capital Component” means the portion of TRRWA rates that relates to costs of financing the Regional Assets, as described in Subsection 9.1.

3.10 “Collection Facility” or “Collection Facilities” means sewers, transmission lines, force mains, interceptors, pump stations and other sewer facilities required to collect and deliver wastewater from customers to Transmission Facilities or Treatment Facilities.

3.11 “Contracting Municipal Wastewater Utility” means a county, city, town, water-sewer district, public utility district, other special purpose district, municipal corporation, or other unit of local government of this or another state and any federally-recognized Indian tribe authorized by law to provide a system of sewers for the collection, transmission, or treatment of Wastewater, that has entered into an agreement with TRRWA that provides for TRRWA acceptance of some or all of that entity’s Wastewater.

3.12 “County” means Cowlitz County, Washington, a political subdivision of the State of Washington.

3.13 “Ecology” means the Washington State Department of Ecology, or its successor.

3.14 “Environmental Protection Agency” or “EPA” means the United States Environmental Protection Agency, or its successor.

3.15 “Equivalent Residential Unit” or “ERU” is a measure applied to a user of a sewage system. The number of ERUs assigned to any user (for example, an apartment house, motel, school, hospital, nursing home, or any other public or commercial establishment) is the numerical ratio of the monthly volume of Wastewater contributed by the user to the monthly volume of Wastewater contributed by a single family residence. This ratio serves as a practical basis for computing the number of ERUs contributing Wastewater into the Regional Assets when and if the computation is necessary or desirable to either supplement or replace a direct Flow measurement.

3.16 “Flow” means a volume of Wastewater per unit of time.

3.17 “Formation Date” means the date this Agreement is filed with the Washington Secretary of State and TRRWA is formed as a joint municipal utility services authority in accordance with RCW 39.106.030(1).

3.18 “Former TRRWA” means the intergovernmental entity and joint board authorized and created by the Pre-Formation Agreements under Chapter 39.34 RCW.

3.19 “Improvements” means those improvements to the Regional Assets described in the Updated Sewerage General Plan dated February 1997, as it is amended from time to time, and those in other TRRWA capital facilities improvements plans.

3.20 “Influent Point” means the point at which a Member’s Internal System connects to the Regional Assets.

3.21 “Internal System” means all Collection Facilities, Transmission Facilities, and Treatment Facilities owned and operated by a Member upstream from its respective Influent Point(s).

3.22 “Kelso” means the City of Kelso, Washington, a Washington municipal corporation and code city organized under Title 35A RCW.

3.23 “Longview” means the City of Longview, Washington, a Washington municipal corporation and code city organized under Title 35A RCW.

3.24 “Member” (collectively, the “Members”) means one or more governmental participants of TRRWA, including the Original Members and Additional Members.

3.25 “Million Gallons Per Day” or “MGD” refers to a rate of Wastewater Flow.

3.26 “Maintenance and Operation Component” or “M&O Component” means the portion of TRRWA rates, charges, fees, or other payments that relate to Maintenance and Operation Costs, as described in Subsection 9.1.

3.27 “Maintenance and Operation Costs” or “M&O Costs” means all direct costs and expenses incurred by TRRWA in (i) transporting, treating, and disposing of Wastewater through the Regional Assets, (ii) maintaining, repairing, and replacing the Regional Assets, and (iii) administering a joint Industrial Pre-Treatment program.

3.28 “Operating Board” means the TRRWA Operating Board as set forth in Subsection 5.6.

3.29 “Operations Date” means January 1, 2016, the date this Agreement replaces the Pre-Formation Agreements and TRRWA becomes successor to the Former TRRWA in accordance with RCW 39.106.080.

3.30 “Original Member” or “Party” (collectively, the “Original Members” or the “Parties”) means the governmental entities initially executing this Agreement and described in SECTION 1, including Kelso, Longview, the Beacon Hill Water and Sewer District, and the County.

3.31 “Pre-Formation Agreements” means, collectively: (i) the “2005 Revised and Restated Interlocal Agreement Among City of Kelso, City of Longview, Beacon Hill Water and

Sewer District, and Cowlitz County for Wastewater Treatment & Disposal” last dated December 13, 2005 and (ii) the “Interlocal Agreement for Financing of Biosolids Processing Improvements” last dated May 11, 2006.

3.32 “Regional Assets” means TRRWA’s Treatment Facilities, Transmission Facilities, and other assets together with applicable lands, easements, conveyances, and river crossings operated, maintained, or owned by TRRWA, as depicted on Exhibit A and as may be amended.

3.33 “Reserve Fund” means the separate TRRWA fund established by Subsection 9.6.

3.34 “Service Area” means the area served by the Members’ Internal Systems as depicted on Exhibit B and as may be amended.

3.35 “System Development Charge” or “SDC” means the charge for each new sewer system connection made following execution of this Agreement, as measured in ERUs, for purposes of reimbursing TRRWA for costs incurred to provide existing capacity or paying for the new connection’s use of planned future capacity.

3.36 “Three Rivers Regional Wastewater Authority” or “TRRWA” means the Washington municipal corporation and Washington joint municipal utility services authority organized under Chapter 39.106 RCW and formed by this Agreement.

3.37 “Total Suspended Solids” or “TSS” means that portion of a filtered sample which is retained on a filter pad that is dried at a specified temperature. This test is described in the most current version of a book entitled “Standard Methods for the Examination of Water and Wastewater.”

3.38 “Transmission Facility” or “Transmission Facilities” means transmission lines, force mains, interceptors, pump stations and other facilities required to transfer wastewater from Collection Systems to Treatment Facilities.

3.39 “Treatment Facility” or “Treatment Facilities” means treatment plants, outfalls and other facilities required to treat Wastewater.

3.40 “Wastewater” means all water and liquid Flows in a Collection Facility, Transmission Facility or Treatment Facility, including without limitation industrial, commercial, agricultural, septage, infiltration or inflow, storm or surface water, and domestic sewage (*i.e.*, sanitary wastes normally collected from residential establishments, commercial and industrial wastes of similar strength or quality, and other commercial and industrial wastes that are pre-treated in accordance with Ecology and EPA guidelines).

SECTION 4. FORMATION.

4.1 Formation and Name. On the Formation Date, the “Three Rivers Regional Wastewater Authority” is formed as a joint municipal utility services authority under the Act.

4.2 Purpose and Powers. TRRWA's purpose is to jointly provide regional Wastewater transmission and treatment for TRRWA Members and other Contracting Municipal Wastewater Utilities. TRRWA may exercise all powers authorized by Chapter 39.106 RCW, subject to the terms of this Agreement. TRRWA will provide all necessary Treatment Facilities, Transmission Facilities, and Wastewater services to receive and dispose of Wastewater collected by its Members within the Service Area and delivered to the Regional Assets in accordance with TRRWA rules. TRRWA may provide Treatment Facilities, Transmission Facilities, and Wastewater services for Contracting Municipal Wastewater Utilities and non-contract dischargers upon Board approval. TRRWA may provide additional utility services as determined by the Board.

4.3 Membership. TRRWA's membership consists of the Original Members, together with any Additional Members that may later join TRRWA in accordance with Subsection 5.6.

4.4 Pre-Formation Agreements. As of the Operations Date, this Agreement replaces the Pre-Formation Agreements.

4.5 Historic Agreements. For the avoidance of doubt, the following historic agreements remain superseded: (i) the "Interlocal Agreement Among City Of Kelso, City Of Longview, Beacon Hill Sewer District And Cowlitz County For Wastewater Treatment And Disposal" executed between May and July, 1996; (ii) the "First Amendment To Interlocal Agreement Among City Of Kelso, City Of Longview, Beacon Hill Sewer District, And Cowlitz County For Wastewater Treatment And Disposal" effective June 1, 1998; and, (iii) the "Revised And Restated Interlocal Agreement Among City Of Kelso, City Of Longview, Beacon Hill Sewer District, And Cowlitz County For Wastewater Treatment And Disposal" which was effective on or about the 1st day of September, 2002.

4.6 Ratification of Prior Acts. All actions of the Former TRRWA taken prior to the Operations Date under the Pre-Formation Agreements and not inconsistent with this Agreement are ratified, approved and confirmed in all respects, including without limitation all resolutions, motions, bylaws, rules, policies, procedures, guidelines, manuals, contracts, agreements, minutes, and proceedings.

4.7 Existing Rights and Obligations Confirmed. As of the Operations Date, existing rights and obligations of the Original Members and the Former TRRWA continue as follows:

4.7.1 All existing capacity rights and financial obligations of the Original Members under the terms of the Pre-Formation Agreements are transferred to each of the Original Members under this Agreement, subject to later adjustments under the terms of this Agreement.

4.7.2 All rights and obligations of the Former TRRWA are the rights and obligations of TRRWA. The replacement of the Pre-Formation Agreements does not impair any obligations entered into pursuant to or in reliance on the Pre-Formation Agreements or the Former TRRWA's prior actions that remain in full force and effect on the Operations Date under Subsection 4.6, subject to subsequent amendment, modification, or action.

4.7.3 Existing obligations of the Original Members and the Former TRRWA to irrevocably pledge revenues from the collection of any TRRWA rates established under the Pre-Formation Agreements remain valid and binding obligations of the Original Members and are valid and binding obligations of TRRWA. For as long as any Bonds outstanding as of the Operations Date remain outstanding, each Original Member irrevocably pledges to establish sewer rates and charges, and include amounts in its sewer enterprise fund annual budget, sufficient to provide for payment of TRRWA rates.

4.7.4 For the avoidance of doubt (and without limitation), the following contracts and obligations remain valid: [INSERT LIST].

SECTION 5. TRRWA BOARD OF DIRECTORS ORGANIZATION AND POWERS; OPERATING BOARD ORGANIZATION AND POWERS.

5.1 Board Composition. TRRWA's Board of Directors consists of one Director and any alternate Directors appointed by each Member. Directors and alternates must be elected officials of the appointing Member. More than one alternate may be appointed to serve on the Board when a Member's designated Director is unable to participate in a meeting, but only one Director from each Member may actively participate in a Board meeting at any time. The Members may appoint and remove their appointee Directors and alternates in such manner as they individually determine.

5.2 Board Powers. The Board exercises all policy, oversight and governance powers of TRRWA, and carries out the responsibilities specified in this Agreement. The Board may adopt appropriate rules, including Board rules and procedures, and may delegate powers and responsibilities to the Operating Board in addition to those specified in Subsection 5.6.

5.3 Board Officers and Legal Counsel. Board officers consist of a Chair, Vice Chair, Secretary, and such other officers as the Board desires. Legal counsel to TRRWA, if any, will report directly to the Board and will work in coordination with and support the actions of the Operating Board.

5.4 Board Meetings. The Board will meet twice per year (or more frequently in the Board's discretion) under a regular meeting schedule established by resolution, bylaws, or other Board action. Notice of Board meetings must conform to the requirements of the Open Public Meetings Act (Chapter 42.30 RCW). Additional requirements regarding notice, preparation and distribution of agendas, minutes and conduct of meetings may be established by the Board.

5.5 Board Voting. Each Director will have one (1) vote on issues that come before the Board.

5.5.1 Board Majority and M&O Component Voting. The following Board actions require both (i) a majority vote of the Board and (ii) approval by Directors representing Members paying more than 50% of the M&O Component, unadjusted for the prior Flow portion period:

- (a) Amend this Agreement.

(b) Ratify budgets adopted by the Operating Board as required under Subsections 8.1 through 8.3.

(c) Ratify Member rates, charges, fees, or other required payments adopted by the Operating Board as required under SECTION 9.

(d) Admit new Members to TRRWA.

(e) Revise the Service Area.

(f) Terminate this Agreement.

(g) Determine the Regional Assets' purchase price upon TRRWA's dissolution.

(h) Authorize the borrowing of money or issuance of Bonds by TRRWA or by another entity on behalf of TRRWA.

(i) Authorize the exercise of eminent domain by TRRWA.

5.5.2 Board Simple Majority Voting. Board actions not expressly listed in Subsection 5.5.1 are made by majority vote of the Directors present and voting.

5.6 Operating Board.

5.6.1 Operating Board Representation. The Operating Board consists of one Representative appointed by each Member. The appointment, duration, termination, and revocation of any Operating Board Representative rests within the sole discretion of the Representative's appointing Member. Each Member may appoint any number of alternates in its discretion. Due to the technical knowledge necessary to manage and operate the Regional Assets, Members must appoint professional technical personnel as their respective Representatives and alternates to the Operating Board.

5.6.2 Operating Board Powers and Duties. Under the direction of the Board of Directors, the Operating Board operates and administers TRRWA's day-to-day activities. The Operating Board will:

(a) Perform all powers and duties consistent with: (i) the budget and the rates, charges, fees, or other required payments as ratified by the Board of Directors; and (ii) any other resolutions, rules, authorizations, or directives established by the Board of Directors.

(b) Report directly to the Board of Directors.

(c) Provide Operating Board representation at all meetings of the Board of Directors.

(d) Serve as, or designate, the clerk of the Board of Directors to keep the records, minutes, and other files of the Board of Directors.

(e) Keep the Board of Directors fully advised of TRRWA's financial condition and its future needs.

(f) Exercise general supervision over TRRWA's operational and administrative affairs.

(g) See that all laws and resolutions are faithfully executed.

(h) Perform such other duties necessary to operate, maintain, repair, and administer the Regional Assets or as the Board of Directors may determine by resolution. When the Board of Directors has not established policy or provided direction to the Operating Board regarding a specific matter, the Operating Board may adopt Operating Board policies to address such matters.

5.6.3 Operating Board Voting: Each Operating Board Representative will have one (1) vote on issues that come before the Operating Board. Alternates may participate in Operating Board meetings and discussions, but may only vote when serving in the absence of that alternate's Representative. Operating Board meetings and meeting notices must conform to the requirements of the Open Public Meetings Act (Chapter 42.30 RCW).

5.6.4 Operating Board Majority and M&O Component Voting. The following Operating Board actions require both (i) a majority vote of the Operating Board and (ii) approval by Operating Board Representatives of Members paying more than 50% of the M&O Component, unadjusted for the prior Flow portion period:

(a) Adopt budgets as required under Subsections 8.1 through 8.3.

(b) Adopt rates, charges, fees, or other required payments as required under SECTION 9.

(c) Approve wages and benefits for non-represented TRRWA employees.

(d) Approve employee collective bargaining agreements.

(e) Adopt and amend TRRWA rules or regulations.

5.6.5 Operating Board Simple Majority Voting. Operating Board actions not expressly listed in Subsection 5.6.4 are made by majority vote of the Representatives present and voting, and may include but are not limited to the following:

(a) Award construction, service, and material purchase contracts.

(b) Approve disposition of Regional Assets (i.e., the sale, lease, mortgage or other encumbrance, transfer, or disposal of the Regional Assets).

(c) Adopt and amend operating procedures.

(d) Appoint and remove at any time, plant superintendents or other general managers (if any) of TRRWA's Regional Assets.

(e) Recommend measures for Board of Directors adoption.

5.7 Board Committees and Advisory Boards. The Board of Directors may create committees and advisory boards, including committees to consider finance issues, maintenance and operations matters, and capital planning and infrastructure, when it determines the Operating Board has not provided adequate community representation on the matter. Committees and advisory boards may include either Directors or non-Directors (including Operating Board Representatives), or both. The Board of Directors may not delegate to committees or advisory boards the authority vested in the Board or the authority vested in the Operating Board under this Agreement.

5.8 Additional Members. The inclusion of each Additional Member requires Board approval under Subsection 5.5.1. Each Additional Member must "buy in" to TRRWA by paying for its allocable share of Regional Assets and/or by contributing Regional Assets, in such amounts as will be determined by the Board.

5.9 Withdrawal of a Member. In order to prevent remaining Members from carrying "stranded costs," any withdrawing Member is responsible for the full cost of its withdrawal to TRRWA, including without limitation the payment or provision for payment of its allocable share of the Capital Component of rates established under Subsection 9.1. The Board, acting in its reasonable judgment, has the sole power to determine the appropriate payment obligations of a withdrawing Member. The Director representing a Member proposing to leave TRRWA may not vote on the determination of that leaving Member's payment obligations to TRRWA.

SECTION 6. SEWAGE TREATMENT.

6.1 Member Capacity. TRRWA will treat by means of the Regional Assets, Wastewater discharged by each Member in accordance with TRRWA rules within the Service Area up to the Regional Assets' capacity as long as the discharging Member requires it, barring events and circumstances which are beyond TRRWA's control. Capacity will be available on a "first come, first served" basis.

6.2 Rules Governing Flows into the Regional Assets. By resolution, TRRWA may establish rules governing acceptance of Wastewater into the Regional Assets, including without limitation, rules governing Wastewater quality, Wastewater quantity, metering Influent Points, and Member pre-treatment ordinances or resolutions.

SECTION 7. OPERATION, TREATMENT, AND QUALITY OF THE FACILITIES AND THE MEMBERS' INTERNAL SYSTEMS.

7.1 Operation and Maintenance of the Regional Assets. TRRWA is responsible for the operation, maintenance, and administration of the Regional Assets, subject to the terms of this Agreement. TRRWA must operate and maintain the Regional Assets in accordance with generally accepted engineering standards, and the standards established by EPA, Ecology, the Washington State Department of Health, and other federal, state, and local agencies.

7.2 Rules Governing Internal Systems. Each Member must manage its Internal System at its sole expense, including all of its internal facilities as required to maintain the volume and quality of Wastewater within the limits set forth in this Agreement, including without limitation any TRRWA rules adopted under Subsection 6.2. Each Member must ensure the highest practicable standards and practices in the construction, operation, and maintenance of its Internal System.

7.3 Treasurer. TRRWA must appoint a treasurer from time to time by resolution of the Board, consistent with the provisions of RCW 39.106.050(13).

7.4 Applicable Lien Laws. If TRRWA provides direct retail services (i.e., not through or on behalf of a Member), TRRWA will apply and exercise the powers of a water or sewer district under RCW 57.08.081 or other applicable water-sewer district law.

7.5 Applicable Personnel Laws. With respect to its own employees, TRRWA will apply the personnel laws pertaining to code cities under Chapter 35A.41 RCW, and so long as any Member is a code city with a population of more than 20,000, then the provisions of RCW 35A.41.010 will apply.

7.6 Public Works and Procurement Laws. TRRWA will apply the public works and procurement laws applicable to code cities under RCW 35A.40.210 and RCW 35.23.352. Consistent with RCW 35A.40.210, RCW 35.22.620 will apply so long as any Member has a population of 20,000 or more, and otherwise the provisions of RCW 35.23.352 will apply.

7.7 Eminent Domain Laws. TRRWA will apply and exercise the powers of eminent domain under the laws applicable to code cities pursuant to Chapter 8.12 RCW.

7.8 Surplus Property. TRRWA will apply and exercise the powers respecting surplus property under the laws applicable to code cities pursuant to RCW 35A.11.010.

7.9 Member Governing Laws. If a Member acts for or on behalf of TRRWA with respect to a Regional Asset or proposed Regional Asset, that Member will apply the appropriate laws applicable to that Member's form of government.

7.10 Indemnification. TRRWA will indemnify the Members, their officers and employees for damages caused by the willful misconduct or negligence of TRRWA, its officers, employees and agents. Consistent with RCW 4.96.041, the Board will establish by resolution a procedure to indemnify TRRWA's past and present officers, employees, and volunteers.

7.11 Ethics. TRRWA, its officers and employees (if any) are subject to the provisions of Chapter 42.23 RCW.

7.12 Public Records. TRRWA will comply with the requirements of Washington public records laws, including Chapter 42.56 RCW.

7.13 Rule Making. Consistent with SECTION 5, the Board and Operating Board will adopt and amend TRRWA rules and regulations by resolution.

7.14 TRRWA Bonds. When Bonds are issued by a Member on behalf of TRRWA, those Bonds will be issued in accordance with the bond statute or statutes applicable to that Member. When Bonds are issued by TRRWA, those Bonds will be issued in accordance with the bond statute or statutes applicable to one of the Member's form of government, as further specified by resolution of the Board.

SECTION 8. FINANCES/ENTITY CONTRIBUTIONS.

8.1 Budget Formulation. The Operating Board will adopt TRRWA's budget, which must be formulated in a manner consistent with the relevant budget processes employed by each Member. The budget adopted by the Operating Board is subject to ratification by the Board of Directors. TRRWA will submit each Member's proportionate share of TRRWA's budget to that Member's legislative authority for incorporation into the Member's sewer enterprise fund budget.

8.2 Budget. The budget must include revenues and expenses for maintenance and operations, capital improvements, reserves, and other revenues, expenses, and budget funds established by the Operating Board. The capital improvements portion of the budget must include, without limitation, the following two sections:

8.2.1 Capital Improvements to Maintain and Use Overall Capacity. This portion of the capital budget must include: (a) the necessary reconstruction or replacement of all existing TRRWA facilities shown on Exhibit A; (b) capacity improvements to TRRWA sewer lines, pumping stations, and other facilities, as shown on Exhibit A, necessary to use the existing primary and secondary treatment capacity of the plant; and (c) upgrades for regulatory compliance within the capacity of TRRWA's Treatment Facilities.

8.2.2 Capital Improvements to Increase Overall Capacity. This portion of the capital budget must include any construction that (a) increases the primary or secondary treatment capacity of TRRWA's Treatment Facilities, (b) increases the capacity of TRRWA's Collection Facilities or Transmission Facilities, or (c) consists of an addition to TRRWA facilities not included on Exhibit A (for example, accepting subsequent ownership of a Member's facility, or new facility construction to serve new areas).

8.3 Required Appropriations. Each Member must fund its portion of the following:

8.3.1 TRRWA's M&O Costs in proportion to that Member's respective Flow to the Regional Assets, as reasonably determined by TRRWA. Adjustments to the amounts

paid by Members for their flow-related costs will be based on actual Flows. Adjustments for the prior year will be reflected in the following year's monthly payments to TRRWA in the form of debits or credits, as appropriate or as more specifically provided by TRRWA rule.

8.3.2 TRRWA's repair and replacement costs to existing Regional Assets in proportion to that Member's respective Flow to the Regional Assets.

8.3.3 TRRWA's costs related to upgrades to existing Regional Assets for purposes of capacity expansion or regulatory compliance with new standards by payment from: (a) the SDCs imposed by TRRWA in the portion of the Service Area covered by that Member's sewage utility or (b) other funds equal to that Member's share of the costs proportional to its respective Flow to the Regional Assets, as determined by TRRWA.

8.4 Future Obligations. In the event that capital improvements are funded through Bonds, the governing bodies of each Member will be obligated to execute appropriate legal documents committing the Member to its share of debt service until the Bonds are satisfied.

8.5 System Development Charges. TRRWA may establish SDCs for new connections to Internal Systems that contribute Flow to the Regional Assets. The amount of these charges may be calculated as a function of ERUs to recover the cost of new developments' use of the Regional Assets' capacity. System development charges must be uniform across customer classes (as determined by TRRWA) throughout the Service Area.

8.5.1 Each Member must either (a) collect and remit to TRRWA applicable SDCs or (b) to the extent that Member chooses to not apply the SDCs to new connections, remit to TRRWA an amount equal to that which the Member would have collected by imposing TRRWA's SDCs.

8.5.2 Members must remit to TRRWA on a monthly basis the SDC payments owed under this Subsection 8.5. SDCs for new connections established in stages or phases may be paid as each stage or phase is developed. TRRWA will deposit these SDC remittances into the Reserve Fund established in Subsection 9.6.

8.5.3 If TRRWA is further required by applicable laws or regulations to upgrade the Regional Assets to provide a higher level of wastewater treatment or to modify the methods and/or locations of wastewater discharge, each Member must, if it desires to continue discharging Wastewater into the Regional Assets, pay its proportionate share as established in Subsections 8.1, 8.2, and 8.3.

8.5.4 TRRWA will seek opportunities to reduce or avoid the cost of additional improvements through mutually agreeable modifications in the quantity and quality of Wastewater discharged by the Members.

8.6 Discontinue Discharge. Any Member desiring to discontinue discharging Wastewater into the Regional Assets must give notice of its intent to discontinue not less than three years prior to the date of discontinuance. Unless another Member or other entity assumes the discontinuing Member's Capital Component obligation under Subsection 9.1, the

discontinuing Member will remain obligated to pay the Capital Component of TRRWA rates until all Bonds payable from those rates as of the date of discontinuance (and any subsequent refunding Bonds) are redeemed or defeased.

SECTION 9. PAYMENT FOR MAINTENANCE, OPERATION, AND CAPITAL IMPROVEMENT COSTS FOR THE REGIONAL ASSETS.

9.1 TRRWA Rates. The Operating Board will adopt rates, charges, fees, or other payments charged to the Members for treatment of sewage, septage, external sewage sources, and provision of treatment and related services to the Members in amounts at least sufficient for TRRWA to: (a) maintain and operate the Regional Assets (the “M&O Component”); and (b) pay the principal of, interest on, and coverage covenants with respect to any and all revenue Bonds that constitute a charge upon Regional Asset revenues (the “Capital Component”). The rates, charges, fees, or other payments adopted by the Operating Board are subject to ratification by the Board of Directors.

9.2 Contract Rates and Spot Rates. Rates paid by Contracting Municipal Wastewater Utilities under contract with TRRWA will be determined in accordance with the relevant contract approved by the Board. Rates paid by other dischargers without a contract will be determined by the TRRWA.

9.3 Revenue Obligations. TRRWA may pledge revenue from any rates, charges, fees or other payments established under this Agreement to the repayment of Bonds. Members must timely pay TRRWA those rates, charges, fees or other payments secured by or relied upon by any financing party entitled to the Members’ payments to TRRWA and TRRWA’s payments to the financing party. TRRWA must impose, and each Member must pay, the Capital Component of the payments required under this SECTION 9 whether or not the Regional Assets are operating and notwithstanding the suspension, interruption, interference, reduction or curtailment in the operation of the Regional Assets for any reason whatsoever, in whole or in part. Payments by any Member to TRRWA, and payments by TRRWA to any entity financing an indebtedness, may not be subject to any reduction, whether by offset or otherwise, and may not be conditioned upon the performance or nonperformance of any Member, except as otherwise approved by all Members or by separate agreement.

9.4 Monthly Payments. Each Member must make monthly payments to TRRWA for the rates, charges, fees or other payments established by TRRWA under Section 9.1 above. The M&O Component of monthly payments must include one twelfth of the Member’s proportionate share of the M&O Costs adopted in TRRWA’s annual budget for the Regional Assets. Each Member’s share of the total annual M&O Costs, and its share of the repair and replacement and other facilities costs comprising the Capital Component, will be determined as set forth in Sections 8.2 and 8.5.

9.5 Remitting Payments. Each Member’s monthly payments are due at the earliest date, depending on the Member’s accounts payable cycle. In the event that the Member’s payment is received more than 45 days after receipt of a TRRWA bill, TRRWA may impose a late payment surcharge equal to the interest which the payment would have earned for the period

in excess of 45 days, based on an interest rate used by the Cowlitz County Assessor for delinquent taxes.

9.6 Reserve Fund. TRRWA must maintain a “Reserve Fund” dedicated to funding capital improvements, upgrades and major replacements. The Reserve Fund is distinct from other TRRWA maintenance and operations funds. SDCs remitted to TRRWA will be deposited into the Reserve Fund. TRRWA may in its discretion deposit into the Reserve Fund amounts from the coverage portion of the Capital Component

9.6.1 TRRWA may use the Reserve Fund for needed expenditures on an emergency basis and under the terms of this Agreement when the public health, safety, and welfare, legal and regulatory requirements, or unforeseen circumstances require expeditious action.

9.6.2 Money in the Reserve Fund may only be used for system capital improvements, upgrades and replacements to the Regional Assets, or for emergencies. The Reserve Fund may also be used for acquisition of land and existing Treatment Facilities.

9.7 Member’s Rates and Sources of Payment. Members must pay the charges described in Subsections 9.1 through 9.6 out of revenues derived through each Member’s Internal System. As described in Subsection 9.4, each Member’s remittances to TRRWA, except those revenues derived through SDCs, must be treated as operation and maintenance expenditures or as contract resource obligations. Each Member must establish rates and collect fees and charges for sewer service in amounts at least sufficient to pay for (a) the maintenance and operation of the Member’s Internal System, including the Member’s payments to TRRWA, and (b) the principal and interest on any and all revenue obligations that constitute a charge on the revenue of the Member’s Internal System, together with any coverage covenants in the Member’s bond authorizing documents. Each Member must promptly pay all rates, charges, fees, and other payments charged by TRRWA. In the event that a Member contests the amount of any TRRWA rate, charge, fee, or other required payment, that Member will nevertheless promptly pay the amount required by TRRWA and submit the dispute to resolution under SECTION 11. If the dispute resolution process results in a determination that the Member has overpaid the disputed rate, charge, fee, or other payment, TRRWA will reimburse that Member for the overpayment in the manner, at the times, and with the interest determined in the dispute resolution process.

9.8 Books and Accounts. TRRWA will keep full and complete books of accounts showing the costs incurred in connection with the Regional Assets, and the portions applicable to each of the Members. Any of the Members, through an interagency service contract with TRRWA, or outside third parties, may provide administrative support and/or personnel to TRRWA. The costs of these support services and keeping the financial records and accounts of TRRWA will be considered to be a Maintenance and Operation Cost of TRRWA. Audits of the books will be performed as determined by TRRWA or the state, and audit costs will be considered a direct cost of TRRWA. More frequent audits, if requested by any Member, will be charged to the Member or Members making the request.

9.9 Future Financing. If TRRWA determines there is a need to finance all or a portion of the costs of improvements to or extensions of the Regional Assets and it is not practicable for TRRWA to issue Bonds, a Member or a Contracting Municipal Wastewater Utility may, to the extent of their reasonable ability considering their other obligations and consistent with applicable bond covenants, issue Bonds to finance those improvements or extensions. Consistent with Subsection 8.4, the Members will enter into agreements as may be necessary to enable the successful issuance of those Bonds. If, after reasonable efforts to structure and/or issue Bonds, the Members are unable to do so, all Members collectively, to the extent of their reasonable ability considering other obligations of the Members and their respective borrowing abilities, must issue their own Bonds, and advance the proceeds as needed to TRRWA. TRRWA and all of the Members must indemnify and hold the borrowing party free and harmless of and from any indebtedness to the extent of their respective proportionate shares of payment, as such proportionate shares may be determined by reference to Subsections 8.1 and 8.2.

SECTION 10. REPLACEMENT STANDARDS; INSURANCE.

10.1 Replacement and Rehabilitation Standards. TRRWA will implement replacement, reconstruction, rehabilitation, expansion, or upgrading of the Regional Assets in accordance with applicable federal, state, and local laws and regulations. TRRWA will install and construct additions, betterments and improvements to the Regional Assets in accordance with generally recognized engineering standards at least equal to TRRWA standards and in accordance with all applicable federal, state, and local laws and regulations.

10.2 Insurance. TRRWA must purchase and maintain, through its insurance companies or insurance pools, liability insurance for property damage and bodily injury consistent with good utility practice and comprehensive property insurance sufficient to cover the Regional Assets consistent with good utility practice. Members must purchase and maintain, through their own insurance companies or insurance pools, liability insurance for property damage and bodily injury to TRRWA, TRRWA staff, and the Regional Assets caused by acts or omissions in the operation of the Members' Internal Systems, consistent with good utility practice. In the alternative, TRRWA and each Member may set aside cash in a reserve fund in an amount sufficient to pay for such loss or damage, subject to review and recommendation by TRRWA. TRRWA and any Member may request reasonable written evidence of insurance coverage (*e.g.*, a written certificate of insurance from the applicable carrier) required under this Subsection 10.2 from TRRWA or any Member.

SECTION 11. DISPUTE RESOLUTION.

In the event of a dispute among TRRWA and a Member or Members concerning any matter arising under this Agreement, the dispute will first be considered by an independent review committee. This committee will be composed of one representative from each Member appointed by its legislative authority and one representative appointed by TRRWA. The committee will function as fact finder and attempt to negotiate a voluntary settlement of the dispute. Failing this voluntary resolution, the matter may be resolved through litigation in a court with jurisdiction in Cowlitz County, Washington, unless the parties mutually agree in writing to resolve the claim through binding arbitration.

SECTION 12. TERM; TERMINATION; DISPOSITION OF ASSETS ON TERMINATION.

12.1 Term. This Agreement is perpetual.

12.2 Termination. This Agreement may not be terminated so long as there remain outstanding any Bonds payable from TRRWA rates. Thereafter, this Agreement may be terminated only in accordance with Subsection 5.5.1.

12.3 Disposition of Assets on Termination. Prior to termination, the Members must develop a plan of dissolution to wind up TRRWA's affairs under the following requirements:

12.3.1 The Member with the greatest number of retail ERUs will have the exclusive option to purchase the Regional Assets, including all land, improvements, and rights in property. The purchase price will be the sum as determined by the Board, and must be paid by the purchasing Member to the other Members as provided in this Section. The purchasing Member must assume any indemnity agreement or guarantee by TRRWA or any Member with respect to any Bonds issued for the benefit of TRRWA.

12.3.2 If the Members cannot agree on a purchase price, the purchase price will be established as provided in SECTION 11 and will include a sum equal to the then (on the date of purchase contract execution) fair market value of all of the Regional Assets, including all personal property, cash in banks and on deposit, and all accounts receivable, less all indebtedness. Bonds assumed by the purchasing Member will be taken into consideration as a reduction in the value of the Regional Assets. Each Member's interest will be equal to its proportionate share of payment over the then previous 12 calendar months under the provisions of Subsections 8.1, 8.3, and 9.1 of this Agreement. The purchasing member need not pay itself for its interest in the Regional Assets. Payment to other Members must be made within twelve (12) months following the effective date of termination of this Agreement, or such other time as the Members may agree upon. If a Member provided funds to TRRWA through the issuance of Bonds, the purchasing Member must indemnify and hold that Member free and harmless from the Bonds.

12.3.3 If the purchasing Member under Subsection 12.3.1 declines to exercise its option to purchase, the other Members may purchase the Regional Assets on the same terms as set forth above and in priority order of greatest number of retail ERUs. If none of the Members elect to purchase the Regional Assets, then TRRWA must sell the Regional Assets as soon as reasonably possible following the effective date of termination. Any remaining TRRWA Bonds must be paid from the proceeds of the sale, and the remaining proceeds will be divided in the proportions as determined by reference to Subsections 8.1, 8.3, and 9.1 of this Agreement. If the proceeds are insufficient to pay the remaining Bonds, the Members will remain obligated to pay the Bonds after dissolution in accordance with Subsection 8.4. The Board must supervise the termination and sale of the Regional Assets and the distribution of proceeds.

SECTION 13. GENERAL PROVISIONS.

13.1 Entire Agreement; Amendment; Modification. This Agreement constitutes the entire and exclusive agreement between the Parties relating to the specific matters covered in this Agreement. All prior or contemporaneous verbal or written agreements, understandings, representations or practices relative to the foregoing are superseded, revoked and rendered ineffective for any purpose, except as provided for in Subsections 4.6 and 4.7. This Agreement may be altered, amended or revoked only in writing and only in accordance with to Subsection 5.5. No verbal agreement or implied covenant may be held to vary the terms of this Agreement, any statute, law or custom to the contrary notwithstanding.

13.2 Governing Laws. This Agreement is governed and construed in accordance with the laws of the State of Washington. Venue in connection with any legal proceeding seeking enforcement of the provisions hereof through injunctive relief or arbitration award pursuant to SECTION 11 of this Agreement is proper only in the Superior Court of the State of Washington for Cowlitz County.

13.3 No Third Party Beneficiaries. There are no third party beneficiaries to this Agreement except for the rights of Bond owners as provided in this Agreement. Only Members, TRRWA, and Bond owners (to the extent necessary to enforce their rights as Bond owners) have any rights or any authority to enforce this Agreement's provisions.

13.4 Severability. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion thereof, will not affect the validity of the remaining provisions of this Agreement.

13.5 Execution and Filing. The Parties may execute this Agreement in one or more counterparts. Within five days of the execution date, TRRWA must file this Agreement with the Washington State Secretary of State (RCW 39.106.030(1)) and pay all related fees. The Members agree to execute or release any other appropriate instruments necessary to satisfy the terms of this Agreement.

Dated _____, 2015. City of Longview

Approved as to Form

City Attorney

David M. Campbell, City Manager

Dated _____, 2015. City of Kelso

Approved as to Form

City Attorney

Steve Taylor, City Manager

Dated _____, 2015. Beacon Hill Water and Sewer District

Approved as to Form

District Counsel

Monte J. Roden, Commission President

Dated _____, 2015. Board of County Commissioners of
Cowlitz County, Washington

Approved as to Form

Deputy Prosecuting Attorney

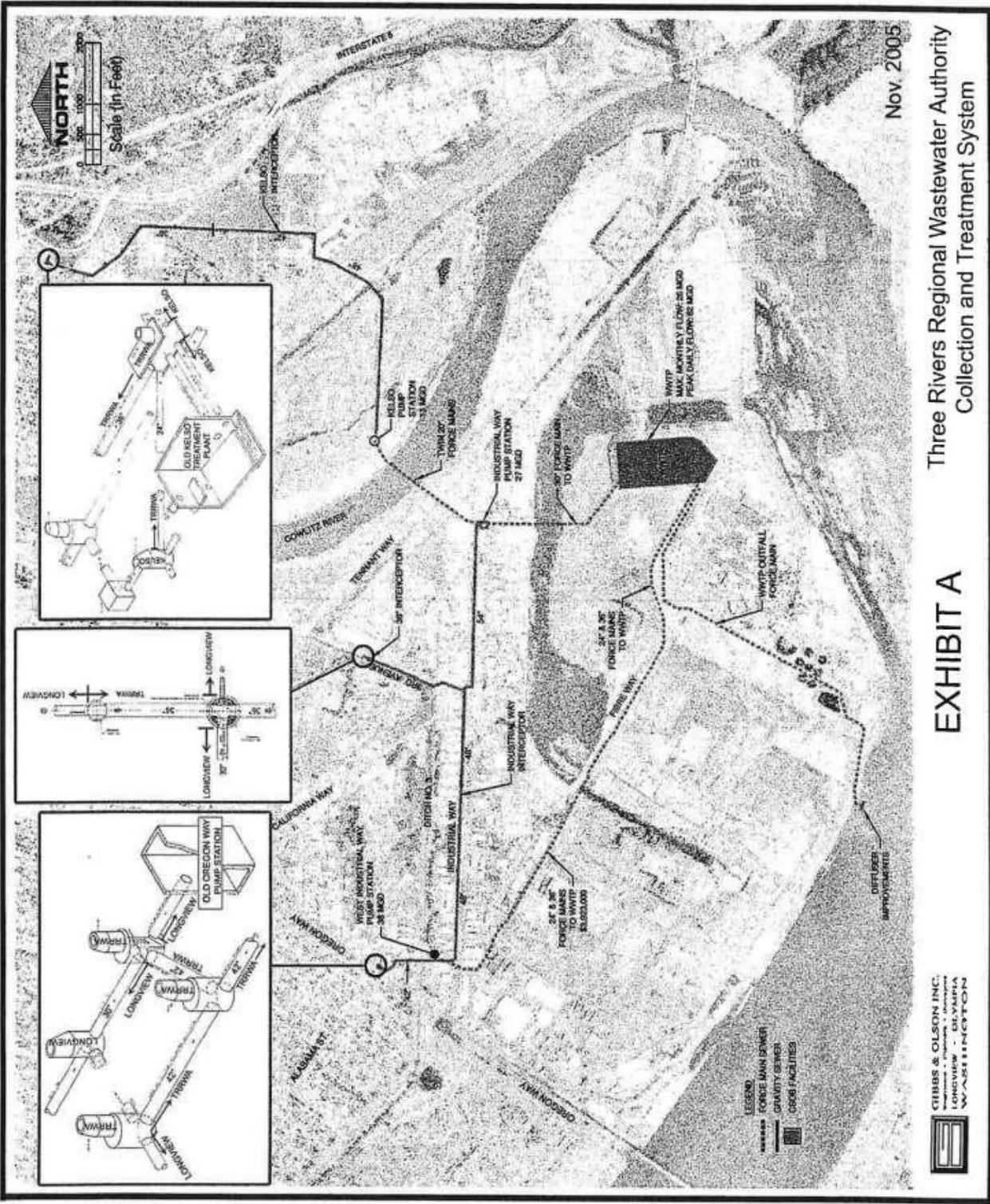
Michael Karnofski, Commissioner

Dennis Weber, Commissioner

ATTEST:

Clerk of the Board

Joe Gardner, Commissioner



[EXHIBIT B]
[“Service Area”]