

WATER SYSTEM MANAGEMENT AND SERVICES AGREEMENT

THIS WATER SYSTEM MANAGEMENT AND SERVICES AGREEMENT (this “Agreement”), effective January 1, 2025 (“Effective Date”), is between NW Natural Water Services, LLC (“NWNWS”) and Scatchet Head Water District (“Owner”). NWNWS and Owner are each a “Party” and collectively the “Parties.”

RECITALS

WHEREAS, Owner operates a water system in Washington, and

WHEREAS, Owner wishes to contract with NWNWS to exclusively operate its water system, and NWNWS wishes to operate Owner’s water system, under the terms of this Agreement.

NOW THEREFORE, the Parties agree as follows:

AGREEMENT

Section 1 Exclusive Right to Operate; Performance of Services; Owner Cooperation

- (a) Owner grants NWNWS the exclusive right to operate Owner’s water system (“Water System”) described in the attached Exhibit A. During the term of this Agreement, Owner will not grant any rights to operate the Water System to any other party.
- (b) NWNWS will operate the Water System (the “Services”) in accordance with the terms of the attached Exhibit B.
- (c) NWNWS may with Owner’s consent (which will not be unreasonably withheld) hire engineers, contractors, and other third parties to assist NWNWS in the performance of the Services.
- (d) Owner will cooperate with NWNWS and take all actions that are reasonable or necessary for NWNWS to perform its obligations under this Agreement, including but not limited to providing all approvals and consents required by public agencies, applicable law, or Owner’s corporate requirements.

Section 2 Term

The term of this Agreement will commence on the Effective Date and end on December 31, 2025 (“Initial Term”) unless extended in accordance with this Section 2. The Initial Term will automatically extend for successive periods of one year each (each, an “Extended Term”) to commence upon the expiration of the current term, unless either Party gives the other Party notice of termination of this Agreement no later than 60 days before expiration of the current term. No later than 90 days before expiration of a term, each Party will notify the other Party of any changes it wishes to propose to this Agreement for the succeeding term.

Section 3 Services Fee; Payment

(a) For performance of the Services, Owner will pay NWNWS all fees and time and materials charges in accordance with the rates described in the attached Exhibit C (“Services Fee”).

(b) Owner will pay NWNWS on a monthly basis. Payments under this Agreement will be due 30 days after Owner’s receipt of an invoice from NWNWS.

Section 4 Records

NWNWS will maintain reasonable records of Water System operations (the “Water System Records”). With reasonable notice, NWNWS will make the Water System Records available for Owner’s review. The terms of this Section 4 do not apply to the internal composition of the Services Fee or any lump sum, fixed rate, or percentage mark-up.

Section 5 Indemnity

(a) NWNWS will defend, indemnify, and hold harmless Owner and its officers, directors, employees, and affiliates, for, from and against any claims, liability, loss, damages, costs, and attorney fees (collectively, “Claims”) to the extent arising from the negligence or willful misconduct of NWNWS.

(b) Owner will defend, indemnify, and hold harmless NWNWS and its officers, directors, employees, and affiliates, for, from and against Claims to the extent arising from the negligence or intentional misconduct of Owner.

Section 6 Suspension; Termination; Close-Out

(a) If Owner fails to perform any material obligation under this Agreement, including but not limited to the making of timely payments, NWNWS may, upon 7 days’ written notice, suspend the Services until Owner’s obligation has been fully performed. If the Services resume after such suspension, NWNWS’s compensation and the Services schedule will be revised to reflect the effects of the suspension. If Owner fails to perform within 15 days of when NWNWS’s notice is first given, NWNWS may terminate this Agreement without further notice.

(b) If NWNWS fails to perform any material obligation under this Agreement, Owner may within 7 days of discovering the failure, give written notice to NWNWS. NWNWS will then have either (1) 15 days to cure the failure or (2) if the failure cannot reasonably be cured within that time, to commence cure of the failure within 15 days of receipt of notice and proceed reasonably to cure the failure. Owner may terminate this Agreement without further notice if NWNWS fails to comply with either parts (1) or (2) of this Section 6(b), whichever is applicable.

(c) NWNWS may, at any time and without cause have the right, in its sole discretion, to terminate this Agreement, subject to 90 days written notice to Owner. NWNWS shall be

compensated for all services satisfactorily rendered and expenses incurred through the date of the termination.

(d) Upon expiration of the Term or termination of this Agreement, the Parties will take reasonable steps transfer operation of the Water System from NWNWS to Owner.

Section 7 Insurance

During the Term, NWNWS will maintain the insurance described in the attached Exhibit D. Owner acknowledges that NWNWS's liability insurance provides for a self-insured retention.

Section 8 Liability Limits

(a) TO THE FULLEST EXTENT ALLOWED BY LAW, NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY LOSS, DAMAGE OR OTHER LIABILITY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE OR SPECIAL DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER SUCH LIABILITY ARISES IN CONTRACT (INCLUDING BREACH, INDEMNITY OR WARRANTY), TORT (INCLUDING FAULT, NEGLIGENCE OR STRICT LIABILITY), OR OTHERWISE, INCLUDING BUT NOT LIMITED TO ANY LOSS OF PROFITS, LOSS OF REVENUE, LOSS OF USE, LOSS OF OPPORTUNITY OR GOODWILL, COST OF CAPITAL, CLAIMS OF CUSTOMERS FOR SUCH DAMAGES, AND ANY GOVERNMENTAL FINES, PENALTIES OR SANCTIONS IMPOSED.

(b) TO THE FULLEST EXTENT ALLOWED BY LAW, OWNER AGREES THAT IN RECOGNITION OF THE RELATIVE RISKS AND BENEFITS OF THE WORK, NWNWS'S AGGREGATE JOINT, SEVERAL, AND INDIVIDUAL LIABILITY, WHETHER FOR BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, PROFESSIONAL MALPRACTICE OR STRICT LIABILITY WILL BE LIMITED TO THE INSURANCE LIMITS AS DEMONSTRATED IN EXHIBIT D.

(c) Notwithstanding the terms of parts (a) and (b) of this Section 8, there will be no limitation on a Party's liability under this Agreement for damages caused by the Party's fraud or intentional misconduct.

Section 9 Miscellaneous Terms

(a) **Assignment.** Neither Party will assign or transfer any of its interest in this Agreement, in whole or in part, without the prior written consent of the other Party.

(b) **Successors and Assigns.** The provisions of this Agreement will be binding upon and will inure to the benefit of the Parties and their respective successors and permitted assigns.

(c) **Waiver.** No waiver, consent, modification or change of terms of this Agreement will bind either Party unless in writing and signed by the Parties. Such waiver, consent, modification or change, if made, will be effective only in the specific instance and for the specific purpose given.

(d) **Notices.** Any notice or other communication regarding this Agreement will be served by personal delivery or delivery by courier or messenger service that maintains records of its deliveries, or via email, to the following addresses:

To Owner:

Scatchet Head Water District
7906 Guemes Avenue
Clinton, WA 98236
Attention: Jill Lipoti
Email: jill.lipoti@verizon.net

To NWNWS:

NW Natural Water Services
PO Box 699
Newberg, OR 97132
Attention: Silas Olson, Director
Email: silas.olson@nwnatural.com

Each Party may change its address for notices upon notice to the other Party.

(e) **Applicable Law/Venue.** The laws of the State of Washington will govern this Agreement. Any dispute related to this Agreement will be resolved in Portland, Oregon.

(f) **Force Majeure.** If the performance of this Agreement by a Party, or of any obligation under this Agreement, is prevented, restricted, or interfered with by reason of war, terrorism, revolution, civil commotion, acts of public enemies, blockade, embargo, national strikes, pandemics, or any other act whatsoever, whether similar or dissimilar to those referred to in this paragraph, that is beyond the reasonable control of the Party affected, then the Party so affected will, upon giving written notice to the other Party, be excused from such performance to the extent of such prevention, restriction, or interference, but the Party so affected will use commercially reasonable efforts to avoid or remove such causes of nonperformance, and will continue performance hereunder whenever such causes are removed.

(g) **Severability.** If any term or provision of this Agreement is determined to be illegal, in conflict with any law, void or otherwise unenforceable, and provided the terms and provisions thereof that are essential to the interests of the Parties remain substantially in effect, then the validity of the remaining terms and provisions will not be affected and the offending provision will be given the fullest meaning and effect allowed by law.

(h) **Survival of Terms.** Any provision of this Agreement that expressly or by its nature provides for rights, obligations, or remedies that extend after the Term, will survive and continue in full force and effect following the termination of this Agreement.

(i) **Entire Agreement.** This Agreement constitutes the entire, legally-binding contract between the Parties regarding the subject matter thereof. This Agreement supersedes any and all prior or contemporaneous understandings, agreements, or representations, whether oral or written, not specified herein. No documents referenced, referred to, or incorporated into any exhibit to this Agreement is incorporated into this Agreement unless specifically referenced in this Agreement and included herein.

(j) **Counterparts.** This Agreement may be executed in several counterparts, each of which will be an original, all of which will constitute one and the same instrument. A PDF or other electronic signature will be considered an original. The individuals signing this Agreement certify that they are authorized to execute this on behalf of Owner and NWNWS, respectively.

SCATCHET HEAD WATER DISTRICT:

Signature: _____

By: _____

Title: _____

Date: _____

NW NATURAL WATER SERVICES, LLC:

Signature: Jeffrey Olson

By: Jeffrey Olson

Title: Business Manager

Date: 12-10-2024

EXHIBIT A
WATER SYSTEM

Description of System

General

Group: A System ID #76470X

- A. Sources: 2
- B. Pump Information:
- C. Storage tank(s) type/size: two—300,000 gallon & one-120,000 gallon
- D. Pressure tank(s): 1,000 gallon Hydro-pneumonic tank
- E. Booster pump(s): Four—7.5 hp
- F. # of service connections: 412
- G. Other information:
- H. Treatment, if applicable:

Chlorination System: Yes

Treatment System: Yes

EXHIBIT B

DESCRIPTION OF SERVICES

1. OPERATION BASE FEE SERVICES

A. DIRECT RESPONSIBLE CHARGE

NWNWS will provide a qualified individual (or individuals) to serve as the water system Direct Responsible Charge (DRC) for the Department of Health (DOH). The DRC must be certified to operate the water system.

B. SITE VISIT

- a. Visit Owner's system three times per week to evaluate system operations, record mutually agreed data between parties, general housekeeping, and verify proper system operations.
- b. Manage a backflow/cross connection and control program, which includes customer notification for testing and maintenance of backflow devices. Owner's customers may request testing be performed by NWNWS for a fee, which NWNWS will retain for its own account.
- c. Conduct routine water quality sampling, monitoring and reporting as necessary to the Department of Health ("DOH"). Routine sampling includes coliform sampling. All non-routine sampling will be billed on a time and material (T&M) basis.
- d. Perform meter reading at agreed schedule (subject to rates in Exhibit C).
- e. All parts, supplies, and materials provided will constitute additional charges in accordance with Exhibit C.

C. EMERGENCY SERVICES

NWNWS on-call personnel will be available to respond to emergencies pertaining to the owner's system. In the event NWNWS staff are called upon to address an emergency, time and materials will be charged in accordance with the emergency rate schedule provided in Exhibit C; but not less than two (2) hours per dispatch. For the purposes of this agreement, an emergency is defined when one or more of the following conditions are present:

1. An event that requires dispatch of NWNWS staff with less than forty-eight (48) hours' notice, either at the request of the owner or to protect public health at NWNWS discretion.
2. A dispatch of NWNWS staff before 8:00 AM on the following business day, either at the request of the owner or to protect public health at NWNWS discretion.

Notification from the owner regarding a need for services to be scheduled to take place during normal work hours with at least 48 hours' notice will not constitute an emergency and will be subject to NWNWS's scheduling availability as determined by NWNWS.

2. COMMUNICATION PROTOCOL

NWNWS staff are available to receive and respond to Owner customer service calls and inquiries. NWNWS's office hours shall be maintained on a Monday through Friday basis from 9:00 am to 4:00 pm (subject to change without notice), excluding holidays. All after-hours communication via phone, both urgent and non-urgent, should be directed to the main office phone, which is answered by an answering service outside of business hours. All after-hours emergency services are handled by NWNWS on-call staff.

NWNWS will provide a primary point of contact to act as liaison between the two companies. The point of contact will inform Owner, or a designated individual, of any findings and/or concerns that need to be addressed after the scheduled site visit. This communication will be via email or telephone call, depending on the urgency of the concern, as determined by NWNWS. In addition, Owner should use this person as their primary contact to schedule requested time and materials (T&M) duties, meetings, or to answer questions.

3. OTHER SERVICES – Subject to T&M rates in Exhibit C

- A. Respond to field customer service requests.
- B. Respond to after-hours calls.
- C. Repair water service and mainline leaks.
- D. Install new services.
- E. Mark waterlines for locates and emergency locates (accuracy not guaranteed).
- F. Conduct inspection of repairs, new connections and system improvements.
- G. Well depthing, if requested and feasible.
 - *If no well depthing tube is available, and damage to King Water equipment occurs as a result, customer is liable to reimburse NWNWS for repair to the equipment.
- H. Follow-up on insurance claims resulting from damage to or by the water system.
- I. Reservoir cleaning and inspections.
- J. Assistance with sanitary surveys and in responding to DOH report thereon.
- K. Review of waterline requirements for any water service system improvement required for new development.
- L. Administer and conduct a valve maintenance program, which includes main flushing.
- M. Generate, print, and/or distribute Owner's Annual Water Quality Report (Consumer Confidence Report).
- N. Complete Annual Water Use Efficiency Report for Owner.

**Exhibit C
Compensation**

Category	Rates (\$/Month)
Operations Base Fee	\$1,300.00
Billing Base Fee	
Bookkeeping Base Fee	
Service Fee (10%)	\$130.00

OPERATION AND MAINTENANCE SERVICES*		
Category	Title	Rate (\$/Hour)
Executive		
	Regional Director	\$325.00
Upper Management		
	Operations Director	\$205.00
	Accounting Manager	\$145.00
Mid-Level Management	Operations Manager	\$130.00
	Operations Supervisor	\$115.00
Supervisor		
	Area Supervisor	\$91.00
Operators		
	Operator IV	\$105.00
	Operator III	\$96.00
	Operator II	\$82.00
	Operator I	\$71.00
Office	Utility Worker	\$66.00
	Office Administration	\$61.00

CUSTOMER SERVICE*		
Category	Title	Rate (\$/Hour)
Upper Management		
	Accounting Manager	\$145.00
Mid-Level Management		
	Customer Service Manager	\$115.00
Office		
	Customer Service Specialist	\$80.00
	Office Administration	\$61.00

PROJECT DEVELOPMENT SERVICES*		
Category	Title	Rate (\$/Hour)
Executive		
	Development Director	\$325.00

Upper Management		
	Development Manager	\$205.00
	Accounting Manager	\$145.00
	Sr. Project Manager	\$140.00
Mid-Level Management		
	Construction Manager	\$125.00
	Project Manager	\$115.00
Office		
	Office Administration	\$61.00

MANAGEMENT SERVICES*		
Category	Title	Rate (\$/Hour)
Executive		
	Regional Director	\$325.00
Upper Management		
	Manager	\$205.00
	Accounting Manager	\$145.00
Office		
	Office Administration	\$61.00

EQUIPMENT & EXPENSES*		
Category	Title	Rate (\$/Hour) unless specified
Equipment	35G Class Excavator	\$500.00/day
Equipment	Dump Trailer	\$20.00
Equipment	Dump Truck	\$70.00
Equipment	Vacuum Excavation	\$60.00
Equipment	Pressure Washer Trailer Setup	\$80.00/day
Equipment	5kW Generator/Light Tower	\$35.00
Truck	Service Truck	\$25.00
Backflow	Backflow Testing	\$40.00/test
Expenses	Direct Expenses	Cost
Expenses	Subcontractor	Cost
Expenses	Mileage	IRS Rate

*A 20% service fee will be added for all base fee services, labor, and equipment and expenses incurred unless otherwise stated.

All rates are hourly unless otherwise indicated. All time associated with fulfilling service requests will be billable, including drive time and time spent offsite preparing or cleaning up. Emergency time, as outlined in Exhibit B, will be billed at one and a half (1.5) times the normal hourly rate. Except where Emergency Rates are applicable, the base fee will include each of the areas of services described under BASE FEE SERVICES of Exhibit B.

EXHIBIT D

INSURANCE REQUIREMENTS

As a condition precedent to payment, Contractor will at all times specified herein provide and maintain for itself and require the Subcontractors to provide and maintain the following types and the following minimum limits of insurance written on an occurrence basis by a company or companies that are (a) rated A- or better and a financial size category of X or better, in the most recent edition of "Best's Insurance Guide" (or such lesser rating as may be approved by NW Natural Water Services (NWNWS) in writing), and (b) authorized to do business in the state(s) where the Services are performed.

A. WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY:

- (i) State Statutory Requirements
- (ii) Employers Liability:
 - \$ 1,000,000 Each Accident
 - \$ 1,000,000 Disease, Policy Limit
 - \$ 1,000,000 Disease, Each Employee

B. COMMERCIAL GENERAL LIABILITY (OCCURRENCE FORM):

- (i) Combined Bodily Injury and Property Damage:
 - \$ 1,000,000 Each Occurrence
 - \$ 1,000,000 General Aggregate
 - \$ 1,000,000 Products and Completed Operations
- (ii) The following coverages must be included:
 - (1) Premises Operations.
 - (2) Contractual Obligations (including the contract obligations specified in the indemnification paragraph(s) of this Contract).
 - (3) The policy will be endorsed to be primary and non-contributory with any insurance maintained by NWNWS and its subsidiaries, affiliates, officers, directors, employees, agents and shareholders, and their respective successors and assigns.
 - (4) Products and Completed Operations Insurance consistent with the requirements of this Paragraph B and Subparagraphs (i) and (ii) will be maintained by Contractor and the Subcontractors for the duration of the applicable statute of repose.
 - (5) There can be no exclusions for subsidence, collapse, explosion or underground property damage.
 - (6) There can be no exclusion for mold, fungus, water intrusion or water damage.
 - (7) There can be no Montrose language, anti-pyramiding exclusion, or exclusion limiting coverage to damages which first begin to occur within the policy period.

- (8) Cross-liability coverage as would be achieved under the standard Insurance Services Office (ISO) separation of insureds clause, without any exclusions for cross-liability.
- (9) The limits will not be eroded or wasted by defense fees or costs.

C. BUSINESS AUTO POLICY:

- (i) Combined Bodily Injury and Property Damage
\$ 1,000,000 Each Accident
- (ii) The following coverages must be included:
 - (1) Owned Automobiles
 - (2) Non-Owned and Hired Automobiles

D. EXCESS/UMBRELLA LIABILITY COVERAGE: OPTIONAL

- (i) \$1,000,000 Each occurrence
- (ii) \$1,000,000 Aggregate
- (iii) Coverage will be excess to and at least as broad as all insurance required above, including employer's liability, commercial general liability, and business auto.
- (iv) The excess/umbrella liability insurance described in this Paragraph and Subparagraphs (i), (ii) and (iii) will be maintained by Contractor and the Subcontractors for the duration of the applicable statute of repose.

E. DEDUCTIBLES

Contractor and the Subcontractors will be liable for any limits of coverage resulting from deductibles in their respective insurance policies.

F. MISCELLANEOUS REQUIREMENTS:

Evidence of insurance acceptable to NWNWS will be furnished to NWNWS prior to commencement of the Services. For those insurance coverages that are required to remain in force after completion of the Services, additional evidence of continuation of such coverage will also be furnished upon each annual renewal. Modification, cancellation or expiration of a policy required under this Exhibit will be effective only after written notice is received by NWNWS from the insurance company at least 30 days in advance of such modification, cancellation or expiration. Contractor must give prompt written notice to NWNWS (and in any event within 30 days) of (1) any event(s) that create a material risk of erosion in Contractor's or any Subcontractor's available limits of insurance, or (2) any actual reduction in the available limits of Contractor's or any Subcontractor's insurance. Upon NWNWS's request, Contractor will immediately provide an actual copy of its insurance policies.

G. SUBCONTRACTORS' INSURANCE

The Subcontractors' insurance will meet all insurance requirements of Contractor as provided in this Exhibit, including, but not limited to, the types of insurance, extent and durations of coverages, and notice requirements.

H. WAIVER OF SUBROGATION:

All of Contractor's and the Subcontractors' policies (except for Professional Liability Insurance) will contain a waiver of subrogation against NWNWS and its subsidiaries, affiliates, officers, directors, employees, agents and shareholders, and their respective successors and assigns.

I. RECOVERABLE DAMAGES:

The fact that insurance (including, without limitation, self-insurance) is obtained by Contractor(s) shall not be deemed to release or diminish the liability of Contractor(s), including, without limitation, liability under the indemnity provisions of this Agreement. Damages recoverable by NW Natural shall not be limited by the amount of the required insurance coverage.

J. ADDITIONAL INSURANCE REQUIREMENTS:

All of Contractor's and the Subcontractors' liability insurance will be endorsed to name NWNWS and its subsidiaries, affiliates, officers, directors, employees, agents and shareholders, and their respective successors and assigns, as additional insureds, using endorsements approved by NWNWS. The coverage under the additional insured endorsement will (i) be primary and noncontributory with respect to any insurance of the additional insureds, (ii) provide the same coverages and limits to the additional insured as are afforded to the primary insured as required by this Exhibit, and will not be limited to vicarious liability, (iii) not be limited to on-going operations, (iv) be maintained for the same durations as the coverages afforded to the primary insured as required by this Exhibit and (v) provide coverage to all persons or entities identified as additional insureds in this Exhibit, whether or not they are in contractual privity with the insured. Blanket endorsements will not be acceptable.