



RESOLUTION NO. U-10944

1 A RESOLUTION related to the purchase of materials, supplies, equipment
2 and the furnishing of services; authorizing the City officials to enter into
3 contracts and, where specified, waive competitive bidding requirements,
4 authorize sale of surplus property, or increase or extend existing
agreements.

5 WHEREAS the City of Tacoma, Department of Public Utilities, requested
6 bids/proposals for the purchase of certain materials, supplies, equipment and/or
7 the furnishing of certain services, or proposes to purchase off an agreement
8 previously competitively bid and entered into by another governmental entity, or
9 for the sales of surplus, or desires to increase and/or extend an existing
10 agreement, all as explained by the attached Exhibit "A," which by this reference
11 is incorporated herein, and
12

13 WHEREAS in response thereto, bids/proposals (or prices from another
14 governmental agreement) were received, all as evidenced by Exhibit "A," and
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16 WHEREAS the Board of Contracts and Awards and/or the requesting
17 division have heretofore made their recommendations, which may include
18 waiver of the formal competitive bid process because it was not practicable to
19 follow said process, or because the purchase is from a single source, or there is
20 an emergency that requires such waiver, and/or waiver of minor deviations, and
21 in the case of sale of surplus, a declaration of surplus has been made certifying
22 that said items are no longer essential for continued effective utility service, as
23 explained in Exhibit "A," and
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WHEREAS the Director requests authorization, pursuant to
TMC 1.06.269 A, to amend contract amounts up to \$200,000 and to approve
term extensions and renewals for all items contained in Exhibit "A;" Now,
therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the Public Utility Board of the City of Tacoma hereby concurs and
approves the recommendations of the Board of Contracts and Awards and/or
the requesting division, and approves, as appropriate: (1) the purchase and/or
furnishing of those materials, supplies, equipment or services recommended for
acceptance; (2) the sale of surplus materials, supplies or equipment
recommended for acceptance; (3) the Interlocal agreement that authorizes
purchase off another governmental entity's contract; (4) the increase and/or
extension of an existing agreement, and said matters may include waiver of the
formal competitive bid process and/or waiver of minor deviations, all as set forth
on Exhibit "A," and authorizes the execution, delivery and implementation of
appropriate notices, contracts and documents by the proper officers of the City
for said transactions, and (5) the administrative authority of the Director, per
TMC 1.06.269 A., to amend contract amounts up to \$200,000 and to approve
term extensions and contract renewals for all items in Exhibit "A."

Approved as to form and legality:



Chief Deputy City Attorney

Chair

Secretary

Clerk

Adopted _____



3628 South 35th Street
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

EXHIBIT "A"

RESOLUTION NO.: U-10944

ITEM NO.: #1

MEETING DATE: AUGUST 9, 2017

DATE: July 28, 2017

TO: Board of Contracts and Awards

SUBJECT: Energy Management System Contract Staff Augmentation Support
Budgeted from Cost Center 565301
Extend Direct Negotiation of Professional Services
Contract No. 4600012251

RECOMMENDATION: Tacoma Power, Utility Technology Services (UTS) requests approval to increase SAP Contract 4600012251 to **Power System Consultants, Inc. (PSC), Kirkland, WA**, by \$167,600, plus applicable sales tax, for additional supplemental support personnel for the current Energy Management System (EMS). This increase will bring the contract to a cumulative total of \$350,000, plus applicable sales tax.

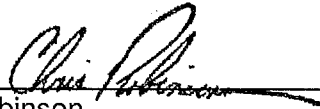
EXPLANATION: Tacoma Power began a project to replace the current EMS used since 2002 to control electric generation, transmission and distribution. This system allows Tacoma Power to fulfill its obligations as a Balancing Authority and meet federal NERC regulatory requirements. Two Tacoma Power engineers are necessary to maintain the current EMS and perform all the daily support functions required. During the EMS replacement project, the Tacoma Power engineers are needed for project tasks, travel, training, and other project responsibilities. To meet the daily support requirements for the current EMS, Tacoma Power established a staff augmentation contract in January 2017 with PSC to provide skilled electric utility personnel with EMS/SCADA experience. The purpose of the initial contract was to provide full- and/or part-time EMS specialists on an as-needed basis during the EMS replacement project.

COMPETITIVE ANALYSIS: Staff augmentation support for highly-specialized functions requiring vendor and industry specific knowledge such as EMS/SCADA systems support is not readily available from traditional staffing agencies. PSC maintains a locally-based team with specialized knowledge of the operational technologies, control systems and supporting processes utilized by the electric utility industry including several well-qualified EMS/SCADA systems specialists experienced with ABB control systems that are currently available to provide support when needed. The North America headquarters for PSC located is Kirkland, WA, and PSC has extensive experience providing similar technology support services to public and private utilities within the Pacific Northwest. As a result, PSC has important experience providing services to utilities under regulatory enforcement by the Western Energy Coordinating Council (WECC) for the NERC critical infrastructure and reliability standards.

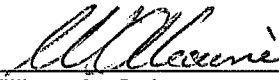
CONTRACT HISTORY: The original contract, dated February 6, 2017, was awarded as a direct negotiation of professional services in the amount of \$182,400. This increase will bring the contract to a cumulative total of \$350,000, and extend the term to December 31, 2018. This is the first amendment to the contract.

FUNDING: Funds for this are available in the Cost Center 565301. Funding beyond the current biennium is subject to future availability of funds.

PROJECT ENGINEER/COORDINATOR: Nick Tomanelli, UTS, 253-502-8096



Chris Robinson
Power Superintendent/COO



William A. Gaines
Director of Utilities/CEO

cc: Richelle Krienke, Senior Buyer, Finance/Purchasing
SBE Coordinator
LEAP Coordinator



City of Tacoma

Date: July 28, 2017

To: William A. Gaines, Director of Utilities/CEO

From: Chris Robinson, Power Superintendent/COO

Subject: Authorization of Direct Negotiation for Professional Services and Personal Services Over \$25,000, Excluding Architectural and Engineering Services
Energy Management System Contract Staff Augmentation Support

For your review and recommendation.

In accordance with TMC 1.06.256 (B), Tacoma Power, Utility Technology Services (UTS) requests a waiver of the competitive solicitation process and authorization to directly negotiate with **Power System Consultants, Inc. (PSC) Kirkland, WA**, for additional supplemental support personnel for the current Energy Management System (EMS). This will increase the current contract by \$167,600, plus applicable sales tax, bringing the contract to a cumulative total of \$350,000, plus applicable sales tax.

Direct negotiation approval constitutes a waiver of further competitive solicitation for amendments to the subject contract provided that any such amendment(s) shall be signed by personnel as authorized in the Delegation of Procurement Signature and Approval Authority memorandum. Contract totals shall not exceed \$200,000 without City Council or Public Utility Board approval as appropriate.

EXPLANATION: Tacoma Power began a project to replace the current EMS used since 2002 to control electric generation, transmission and distribution. This system allows Tacoma Power to fulfill its obligations as a Balancing Authority and meet federal NERC regulatory requirements. Two Tacoma Power engineers are necessary to maintain the current EMS and perform all the daily support functions required. During the EMS replacement project, the Tacoma Power engineers are needed for project tasks, travel, training, and other project responsibilities. To meet the daily support requirements for the current EMS, Tacoma Power established a staff augmentation contract in January 2017 with PSC to provide skilled electric utility personnel with EMS/SCADA experience. The purpose of the initial contract was to provide full- and/or part-time EMS specialists on an as-needed basis during the EMS replacement project.

JUSTIFICATION FOR DIRECT NEGOTIATION:

1. Explain why it's in the best interest of the city to waive the competitive solicitation process.

Staff augmentation support for highly-specialized functions requiring vendor and industry specific knowledge such as EMS/SCADA systems support is not readily available from traditional staffing agencies. PSC maintains a locally-based team with specialized knowledge of the operational technologies, control systems and supporting processes utilized by the electric utility industry including several well-qualified EMS/SCADA systems specialists experienced with ABB control systems that are currently available to provide support when needed.



City of Tacoma

2. Is this purchase based on a previous competitive solicitation conducted by the City or other agency? If yes, provide the contract information, specification number, etc., and explain the relationship of this request to the previous contract.

No. This waiver is to extend the time and add funds to the existing SAP contract no. 4600012251.

3. Describe the screening efforts made to identify potential service providers.

Potential service providers were identified from a list of SCADA/EMS engineering consultants derived from the business directories maintained by electric utility industry trade publications "T&D World" and "Electric Light and Power". Potential firms were then contacted to assess their prior experience in providing augmented staffing services, whether staff has experience/knowledge of ABB control systems, and the availability local resources within the Pacific Northwest.

The North America headquarters for PSC located is Kirkland, WA, and PSC has extensive experience providing similar technology support services to public and private utilities within the Pacific Northwest. As a result, PSC has important experience providing services to utilities under regulatory enforcement by the Western Energy Coordinating Council (WECC) for the NERC critical infrastructure and reliability standards.

4. Describe the efforts made to assure that the City is receiving the lowest or best price possible.

Contract is for an EMS Specialist only. The rates were initially negotiated based on previous experience and knowledge of industry trends and costs.

FUNDING: Funds for this purchase are available in the Cost Center 565301.

SBE COMPLIANCE: The Department/Division checked the City of Tacoma Small Business Enterprise (SBE) website for opportunities to contract with SBE firms on Date Completed.

PROJECT COORDINATOR: Nick Tomanelli, UTS, 253-502-8096.

Chris Robinson, Power Superintendent/COO

8-2-19

Date

AUTHORIZED:

William A. Gaines, Director of Utilities/CEO

8/2/17

Date

cc: Richelle Krienke, Senior Buyer, Finance/Purchasing



3628 South 35th Street
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

EXHIBIT "A"

RESOLUTION NO.: U-10944

ITEM NO.: #2

MEETING DATE: AUGUST 9, 2017

DATE: July 24, 2017

TO: Board of Contracts and Awards

SUBJECT: LED Luminaires and Accessories
Budgeted from Special Construction Funds
Request for Bids Specification No. PE17-0224F

RECOMMENDATION: Tacoma Power / Conservation Resource Management recommends a contract be awarded to second low bidder **Leotek Electronics USA, LLC, San Jose CA**, for LED fixtures and shields, for an initial two-year contract term, plus the option for one additional one-year renewal period, in the amount of \$2,228,940, plus sales tax.

EXPLANATION: Tacoma Power is working in cooperation with the Public Works Department to install LED streetlight fixtures that will greatly reduce energy and maintenance costs associated with maintaining the City's street lights.

COMPETITIVE SOLICITATION: Request for Bids Specification No. PE17-0224F was opened June 27, 2017. Five companies were invited to bid in addition to normal advertising of the project. Twelve submittals were received from 10 Respondents. The recommended award is a partial contract for LED fixtures and shields only. Tacoma Power and Public Works have elected not to award the LED accessories, photo cells and shorting caps, at this time. These items will be re-bid at a later date.

LED Fixtures and Shields:

The low bids submitted by Carlson Sales were deemed non-responsive for conditioning their pricing on "package award," as well as failing to meet technical requirements for the LED fixtures and shields:

- None of the eight fixtures submitted met the requirements for a four-bolt mounting configuration, as required by section 2.07.E of the RFB.
- One of the eight fixtures submitted did not meet the photometric requirements for the design model (200WEQ-1).
- Catalog cut sheet for the house side shield was not provided. Since the fixture and shield cannot be separated due to compatibility, the 100WEQ fixtures are therefore also deemed non-responsive.
- For four of the eight fixtures submitted, the scaled LM-79 reports appeared to have conflicts, or there was not enough information to determine the validity of the scaled report.
- Submittal was qualified with the statement "Price Based on Package Award."

Leotek bid #1 resulted in the lowest responsive evaluated submittal for LED fixtures and shields after consideration of fixture price, energy consumption, and energy costs to determine the shortest payback time. The *Submittal Amount* is based on cost only, while the *Evaluated Submittal* column shows the payback period (immediately below).

LED Fixtures and Shields

<u>Respondent</u>	<u>Location</u> (city and state)	<u>Submittal Amount</u> Plus sales tax	<u>Evaluated Submittal</u>
Carlson Sales, Inc. Bid # 1**	Battleground, WA	\$ 2,034,717.50	3.36 Years
Carlson Sales, Inc. Bid # 2**	Battleground, WA	\$ 2,085,565.50	3.32 Years
Leotek Electronics USA, LLC Bid # 1	San Jose, CA	\$ 2,228,940.00	3.54 Years
Anixter, Inc.	Portland, OR	\$ 2,235,237.25	3.55 Years
Leotek Electronics USA, LLC Bid # 2**	San Jose, CA	\$ 2,250,190.00	3.57 Years
General Pacific, Inc.**	Fairview, OR	\$ 2,481,669.10	3.90 Years
Rainier Lighting & Electrical Supply, Inc.**	Lakewood, WA	\$ 2,499,261.95	4.37 Years
Wesco Distribution, Inc.**	Seattle, WA	\$ 2,566,494.90	4.31 Years
Mobile Electrical Distributors, Inc.**	Seattle, WA	\$ 2,691,160.85	4.19 Years
Seahurst Electric, Inc.**	Everett, WA	\$ 2,746,690.00	Unable to calculate
VaOpto, LLC**	Las Vegas, NV	\$ 2,917,175.00	4.72 Years
JAC LED Lighting, Inc.**	Dundee, MI	\$ 3,378,551.85	5.98 Years

** These submittals were deemed non-responsive on one or more items.

Pre-bid Estimate (all items)	\$ 3,905,540
Pre-bid Estimate (LED fixtures and shields)	\$ 3,667,040

The recommended award is 39.2 percent below the pre-bid estimate for LED fixtures and shields.

CONTRACT HISTORY: New contract.

FUNDING: Funds for this are available in the Special Construction Funds, Cost Center 560900. Funding beyond the current biennium is subject to future availability of funds.

SBE/LEAP COMPLIANCE: Not applicable.

PROJECT ENGINEER/COORDINATOR: Roger Peery, Power, Conservation Resource Management, 253-502-8138, rpeery@cityoftacoma.org.



Chris Robinson
Power Superintendent/COO



William A. Gaines
Director of Utilities/CEO

cc: Richelle Krienke, Finance/Purchasing
SBE Coordinator
LEAP Coordinator
Leigh Starr, Public Works
Peter Meyer, CRM



RESOLUTION NO. U-10945

A RESOLUTION related to Tacoma Power; authorizing acceptance of a 20-year franchise extension granted by the City of Lakewood.

WHEREAS the City of Tacoma, Department of Public Utilities Light Division (d.b.a. Tacoma Power), recommends approval of a 20-year franchise extension with the City of Lakewood ("Lakewood"), and

WHEREAS the franchise covers all of Lakewood and includes desirable terms related to project coordination, and

WHEREAS the administrative fee, assessed in lieu of permit and processing fees, will be adjusted with this extension to match the Gross Earnings Tax rate Tacoma Power pays to the City of Tacoma, and

WHEREAS the extension will also lengthen the notification time for relocation of major utility infrastructure and remove a 2003 amendment allowing Click! to extend into the Flett Creek Area, as this amendment is no longer needed as it is now included in the 2004 Click! franchise agreement with the City of Lakewood, and

WHEREAS, on July 17, 2017, the City Council of the City of Lakewood passed the terms of the franchise by Ordinance No. 672, and now requires acceptance by Tacoma Power to become a binding agreement, Now, Therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the franchise extension granted to Tacoma Power by the Council of the City of Lakewood pursuant to Ordinance No. 672, and the proposed



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revisions thereto, are hereby approved, and the Council of the City of Tacoma is requested to concur in this approval and authorize the Power Superintendent to execute such documents as necessary to accept such extension.

Approved as to form and legality:

Chair



Chief Deputy City Attorney

Secretary

Clerk

Adopted _____

of August 9, 2017

REQUEST FOR RESOLUTION

Date: July 28, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Authorization for Tacoma Power to accept franchise extension granted by the City of Lakewood

2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

The City of Lakewood has granted to Tacoma Power a 20-year franchise extension to allow continued operation within its jurisdiction. We requested an extension because current franchise terms have served us well and will continue to in the future, even with the modifications to the franchise made by the City of Lakewood. The franchise includes desirable project coordination terms and does not include permit fees, franchise fees, or processing fees. The franchise administrative fee will be adjusted with this extension to match the Gross Earnings Tax rate Tacoma Power pays to the City of Tacoma. The franchise extension will also lengthen the notification time for relocation of major utility infrastructure and remove a 2003 amendment allowing Click! to extend into the Flett Creek area. This amendment language is no longer needed as it is now included in the 2004 Click! franchise agreement with the City of Lakewood.

3. Summarized reason for resolution:

It is necessary for Tacoma Power to obtain a franchise from the City of Lakewood in order to continue to operate within Lakewood boundaries. The attached 20-year franchise extension (ordinance) was passed by the City Council of the City of Lakewood on July 17, 2017 and requires acceptance by Tacoma Power to become an agreement. Because of changes to the administrative fee, approval is required by the Tacoma Public Utilities Board and the City Council of the City of Tacoma.

4. Attachments:

- a. Memo to William A. Gaines, Director of Utilities/CEO from Chris Robinson, Power Superintendent, dated July 28, 2017
- b. Franchise extension granted to Tacoma Power by the City of Lakewood (Lakewood Ordinance 672)
- c. Lakewood Franchise (Lakewood Ordinance 139)

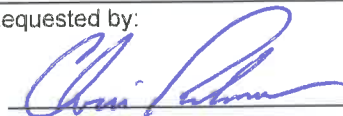
5. ☒ Funds available ☐ Proposed action has no budgetary impact

6. Deviations requiring special waivers:

Originated by:


for Dolores Stegeman
Section Head

Requested by:


Chris Robinson
Division Head

Approved:


Director of Utilities



TO: Mayor and City Council
FROM: William A. Gaines, Director of Utilities/CEO
COPY: Elizabeth Pauli, City Manager and Doris Sorum, City Clerk
SUBJECT: Resolution - Authorization for Tacoma Power to Accept Franchise Extension Granted by the City of Lakewood – August 15, 2017
DATE: July 28, 2017

SUMMARY:

Tacoma Power seeks Council approval to enter into a 20 year franchise agreement extension with the City of Lakewood. This agreement will allow Tacoma Power to continue to serve electric customers within the City of Lakewood boundaries after the existing franchise agreement expires in October 2017.

STRATEGIC POLICY PRIORITY:

- Assure outstanding stewardship of the natural and built environment.
 - The franchise agreement provides a framework for working with the City of Lakewood to relocate electrical facilities required by improvement projects. This framework requires the City of Lakewood to provide 120 days' notice to Tacoma Power, provide Tacoma Power with copies of pertinent portions of the plans and specifications for such improvement projects, propose locations for Tacoma Power's facilities, and evaluate alternatives provided by Tacoma Power to proposed relocations.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.
 - The franchise agreement provides for a waiver of permit fees (except for private development). The franchise also establishes *pro rata* cost sharing for relocation based upon a 15 year life expectancy of facilities.

BACKGROUND:

The existing franchise agreement between Tacoma Power and the City of Lakewood will expire October 2017. Although the existing franchise provides for up to two 5 year extensions, Tacoma Power and the City of Lakewood mutually agreed that extending the term of the franchise to 20 years would be mutually beneficial. A longer term agreement creates more stability for planning purposes.

On July 17, 2017, the City Council of the City of Lakewood approved Ordinance No. 672, granting a 20 year franchise extension to Tacoma Power. City of Lakewood Ordinance No. 672 provides 60 days for Tacoma Power to accept the franchise extension. Approval of City of Lakewood Ordinance No. 672 is scheduled to be brought before the Tacoma Public Utility Board on August 9, 2017.

The following is a summary of adjustments to the existing franchise agreement.

- An increase in the notification time provided to Tacoma Power by the City of Lakewood for relocation of major utility infrastructure.
- Removal of a 2003 amendment allowing Click! to extend into the Flett Creek area. This language is now included in the 2004 Click! franchise agreement with the City of Lakewood.
- The franchise administrative fee is adjusted to match the Gross Earnings Tax rate Tacoma Power pays to the City of Tacoma.

**ISSUE:**

The existing franchise agreement between Tacoma Power and the City of Lakewood will expire October 2017. A new or extended franchise is needed for Tacoma Power to continue to properly operate its facilities within the City of Lakewood and serve these ratepayers.

ALTERNATIVES:

Alternatives to the recommendation include the following:

1. Request a 5 year extension to the existing franchise agreement and enter into negotiations with the City of Lakewood for different terms. The existing franchise offers two 5 year extensions under the same terms as the existing franchise. Exercising the 5 year extension option would require concurrence by the City of Lakewood. Overall, the terms proposed by the City of Lakewood in the 20 year franchise extension are favorable to Tacoma Power. Obtaining a 20 year term, compared to the 5 year term, provides greater stability for longer term planning.

RECOMMENDATION:

Tacoma Power recommends that the City Council authorize approval of the franchise extension approved by the City Council of the City of Lakewood on July 17, 2017, City of Lakewood Ordinance No. 672.

FISCAL IMPACT:

The franchise extension will increase the administrative fee applied to gross revenue received by Tacoma Power within the City of Lakewood to 6% or the utility tax rate paid by Tacoma Power, whichever is greater. The Gross Earnings Tax paid by Tacoma Power is currently 7.5% into 2026. The administrative fee is spread across Tacoma Power's ratepayers. The table below summarizes the anticipated fiscal impact over the 20 year term of the franchise for two scenarios involving the Gross Earnings Tax.

SCENARIO	WITHOUT INFLATION	WITH INFLATION
Gross Earnings Tax returns to 6% in 2026	\$2,200,000	\$2,400,000
Gross Earnings Tax remains at 7.5% over franchise term	\$4,800,000	\$5,900,000

EXPENDITURES:

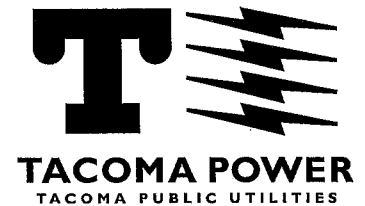
FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4700 Power	80012246	5419000	
TOTAL			Estimated \$2.4M – 5.9M

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$285,000-310,000

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

The expense could be rolled into future rate increases, or other O&M expenses could be reduced.



DATE: July 28, 2017

TO: William A. Gaines, Director of Utilities/CEO

FROM: Chris Robinson, Power Superintendent *CR*

SUBJECT: Authorization to Accept Franchise Extension Granted by the City of Lakewood to Tacoma Power

RECOMMENDATION

Tacoma Power requested and Lakewood has granted a 20-year extension of our franchise to operate within its jurisdiction. Tacoma Power recommends that the Public Utility Board authorize acceptance of this franchise extension.

BACKGROUND

Tacoma Power's franchise with Lakewood is coming to the end of its 20-year term. The franchise has served us well and we believe it will continue to in the future, even with the modifications to the franchise made by Lakewood.

Favorable terms include:

- Strong utility coordination provisions
- No permit fees
- No processing fees
- No franchise fees

The franchise administrative fee will be updated with this extension to match the Gross Earnings Tax rate paid to the City of Tacoma while the Gross Earnings Tax exceeds 6%, which is the existing administrative fee rate.

We believe the extension is practical, efficient and reflective of a good working relationship with the City of Lakewood. This franchise extension will result in ongoing coordination and ability to serve our customers within Lakewood.

FUNDING

Funds for the franchise administrative fee are collected through power rates and are available in Tacoma Power's budget.

SUMMARY

It is necessary for Tacoma Power to obtain a franchise from the City of Lakewood in order to continue to operate within Lakewood boundaries. This franchise extension was passed by the City Council of the City of Lakewood on July 17, 2017, City of Lakewood Ordinance No. 672, and requires acceptance by Tacoma Power to become an agreement. Because of changes to the administrative fee, approval is required by the Tacoma Public Utilities Board and the City Council of the City of Tacoma.

Your approval is requested to submit this franchise to the Public Utility Board for consideration in authorizing acceptance.

APPROVED:



William A. Gaines
Director of Utilities/CEO

ORDINANCE NO. 672

AN ORDINANCE OF THE CITY OF LAKEWOOD, WASHINGTON, GRANTING UNTO THE CITY OF TACOMA DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION, A MUNICIPAL CORPORATION, ITS SUCCESSORS AND ASSIGNS, THE RIGHT, PRIVILEGE, AUTHORITY AND NONEXCLUSIVE FRANCHISE FOR TWENTY YEARS, TO CONSTRUCT, MAINTAIN, OPERATE, REPLACE AND REPAIR AN ELECTRICAL LIGHT AND POWER SYSTEM, IN, ACROSS, OVER, ALONG, UNDER, THROUGH AND BELOW CERTAIN DESIGNATED PUBLIC RIGHTS-OF-WAY OF THE CITY OF LAKEWOOD, WASHINGTON.

WHEREAS, the City of Tacoma Department of Public Utilities, Light Division has requested that the City Council grant it a nonexclusive franchise; and

WHEREAS, the City Council has the authority to grant franchises for the use of its streets and other public properties (RCW 35A.47.040); NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF LAKEWOOD, WASHINGTON, DO ORDAIN as follows:

Section 1. Franchise Granted. Pursuant to RCW 35A.47.040, the City of Lakewood, a Washington municipal corporation (hereinafter the "City"), hereby grants to City of Tacoma, Department of Public Utilities, Light Division, a municipal corporation organized under the laws of the State of Washington (hereinafter "Grantee"), its heirs, successors, legal representatives and assigns, subject to the terms and conditions hereinafter set forth, a franchise for a period of 20 years, beginning on the effective date of this ordinance.

Grantee and City may agree to extend the term of this franchise on substantially the same terms and conditions as set forth herein for up to two extensions of five years per extension.

This franchise grants the Grantee the right, privilege and authority to construct, operate, maintain, replace, and use all necessary equipment and facilities including communication infrastructure therefor for an electric utility system, in, under, on, across, over, through, along or below the public right-of-ways and public places located in the City of Lakewood, as approved under City permits issued pursuant to this franchise.

For the purposes of the franchise the following words and phrases shall have the following meaning:

(1) "electric utility system" means all plant, facilities, equipment, wires, conduit, meters, communication infrastructure, generation equipment, transmission and distribution poles as may be necessary to provide electric utility service for customers. It does not include accessory or energy services, including but not limited to technical energy usage assistance, and (non-traditional) business activities such as telecommunications including cable television, or other

business activities.

(2) "electric utility service" means all actions directly related to providing electric power and energy to customers for lighting, appliances, fixtures, space heating and cooling, water heating and other energy uses. It does not include accessory or energy services, including but not limited to technical energy usage assistance, and (non-traditional) business activities such as information services, appliances, and telecommunications including cable television, or other business activities.

(3) "gross revenue" means money or funds received by reason of transaction of electric utility service business including sales of electric power and energy to customers. Gross revenue does not include: (a) uncollected amounts; (b) amounts received from condemnation award or condemnation settlement; (c) amounts received as compensation or reimbursement of damages to or protection of any property of Grantee; (d) amounts received as compensation for or in aid to construction; (e) discounts, returns, allowances and repossessions; and (f) amounts received for street light maintenance and operation.

Section 2. Non-Exclusive Franchise Grant. This franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in, along, over, through, under, below or across any of said right-of-ways, streets, avenues or all other public lands and properties of every type and description. Such franchise shall in no way prevent or prohibit the City from using any of said roads, streets or other public properties or affect its jurisdiction over them or any part of them, and the City shall retain power to make all necessary changes, relocations, repairs, maintenance, establishment, improvement, dedication of same as the City may deem fit, including the dedication, establishment, maintenance, and improvement of all new rights-of-ways, thoroughfares and other public properties of every type and description. It is provided, however, City agrees not to compete with Grantee as an electric utility system or provider of electric utility service in the current service area of the Grantee during the period of this franchise.

Section 3. Relocation of Electrical Transmission Facilities. The Grantee agrees and covenants at its sole cost and expense, to protect, support, temporarily disconnect, relocate or remove from any street, any component of its electric utility system when so required by the City by reason of traffic conditions or public safety, dedications of new rights-of-way and the establishment and improvement thereof, widening and improvement of existing rights-of-way, street vacations, freeway construction, change or establishment of street grade, or the construction of any public improvement or structure by the City, provided that the Grantee shall in all such cases have the privilege to temporarily bypass, in the authorized portion of the same street upon approval by the City, any section of electrical line or facility required to be temporarily disconnected or removed. The provisions of this section shall not be applicable if the relocation need results from a private development, use or activity.

If the City determines that the project necessitates the relocation of the Grantee's then existing facilities, the City shall:

(1) At least one hundred twenty (120) days prior to commencement of construction of improvement projects that require relocation of major infrastructure, provide the Grantee with written notice and plans requiring such relocation, unless another time period for the notice is agreed to by the parties for a particular project.

(2) Provide the Grantee with copies of pertinent portions of the plans and

specifications for such improvement project and a proposed location for the Grantee's facilities so that the Grantee may relocate its facilities in other City right-of-way in order to accommodate such improvement project. After receipt of such notice and such plans and specifications, the Grantee shall complete relocation of its facilities at no charge or expense to the City (except as hereinafter provided) so as to accommodate the improvement project construction schedule.

The Grantee may, after receipt of written notice requesting a relocation of its facilities, submit to the City written alternatives to such relocation. The City shall evaluate such alternatives and advise the Grantee in writing if one or more of the alternatives is suitable to accommodate the work which would otherwise necessitate relocation of the facilities. If so requested by the City, the Grantee shall submit additional information to assist the City in making such evaluation. The City shall give each alternative proposed by the Grantee full and fair consideration. In the event the City ultimately determines that there is no other reasonable alternative, the Grantee shall relocate its facilities as otherwise provided in this Section. Provided, however, the parties agree to exercise good faith, reasonable and timely decision making especially when issues arise in the field pertaining to relocations. The provisions of this Section shall survive the expiration or termination of this franchise agreement.

The provisions of this Section shall in no manner preclude or restrict the Grantee from making any arrangements it may deem appropriate when responding to a request for relocation of its facilities by any person or entity other than the City, where the facilities to be constructed by said person or entity are not or will not become City-owned, operated or maintained facilities, provided that such arrangements do not unduly delay a City construction project. The City on occasion will be constructing, reconstructing and/or relocating roads, streets, public ways, areas or facilities within the right-of-way or property which will require Grantee to install and/or relocate part of its electric utility system. Grantee will be relying on the alignment, lines and grades as set forth in City's approval plans wherein Grantee thereafter constructs or reconstructs its electric utility system in accordance with City's requirements and City standards. Therefore, if City thereafter again adjusts and/or revises the alignment, line or grade for a road, street, public way or area, before this part of the Grantee's electric utility system has been in place for fifteen (15) years (commencing with the initial City revision), then City agrees to reimburse Grantee a pro rata share of the total relocation costs based on fifteen (15) year life expectancy for the portion of Grantee's electric utility system that is affected by the City revision unless differently agreed to in writing by City and Grantee at the time of the installation or relocation.

City recognizes and acknowledges that Grantee owns utility poles and other parts of its electric utility system that may on occasion be of special benefit to certain customers. City also recognizes that Grantee has the right to require an additional charge for the privilege and special use of its electric utility system including its poles. Grantee agrees to allow the City to apply temporary banners and decorations to Grantee's poles at no charge so long as it does not impede use of Grantee's poles by Grantee, and is consistent with all appropriate safety regulations.

Section 4. Consideration For Agreement. (1) The consideration for this agreement includes, but is not limited to, the mutual and individual benefits of this agreement that allow each of the parties the ability to make long term planning decisions in light of the provisions set forth herein, the waiver of permit fees the non-competition provisions as provided in Section 18 of this agreement, and any fees that may be charged pursuant to RCW 35.21.860(b).

(2) If the City grants to any other energy provider a franchise or allows any other energy provider to operate under terms that are over-all more favorable to the other energy provider than

those set forth herein, Grantee shall have the right to renegotiate the provisions of this franchise that Grantee believes are over-all less favorable to it than those authorized or allowed to said energy provider. Provided, however, Grantee may not exercise this above re-negotiation right for a period of two years from the effective date of this franchise. Grantee shall also have the right to renegotiate the provisions of this franchise that are affected by a substantial change in state or federal law that would allow the City the opportunity to tax and assess additional revenue from the Grantee's operations within the corporate boundaries of the City.

In the case where the parties do not agree on the renegotiation or identification of affected provisions of this franchise, the parties agree to a binding arbitration process as follows: Each of the parties shall select an arbitrator, and the two arbitrators shall select a third arbitrator. If the two arbitrators are unable to select a third arbitrator, the third arbitrator shall be selected by the presiding judge of the Pierce County Superior Court. In accordance with the procedures of Chapter 7.04 of the Revised Code of Washington, the panel of three arbitrators shall review the evidence and authorities presented by the parties and hear the argument of the parties, and thereafter decide the issue(s) presented for arbitration. The arbitrators shall be authorized to require each party to provide to the other reasonable discovery. The arbitrators shall render their decision based upon their interpretation of the provisions of this franchise agreement. The arbitrators are not empowered to modify or amend the text of this franchise agreement. The parties agree to be bound by the decisions of the panel of arbitrators as to the identification of affected provisions of this franchise and/or the re-negotiation thereof.

If there is a substantial change in the law or circumstances beyond the control of a party hereto that substantially adversely affects said party, then said party may re-open this agreement to address the terms affected by the change in the law or circumstances, and the parties agree to negotiate in good faith to address said concerns and to accomplish the original intent of both parties.

Section 5. Undergrounding of Facilities. In any area of the City in which there are no aerial facilities, or in any area in which telephone, electric power wires and cables have been placed underground, the Grantee shall not be permitted to erect poles or to run or suspend wires, cables or other facilities thereon, but shall lay such wires, cables or other facilities underground in the manner required by the City. Provided that except for high voltage lines, the electric service and distribution lines to new construction in areas that are to be served by the Grantee and that were not previously served by the Grantee shall be undergrounded.

(1) Whenever the City may desire the undergrounding of the aerial utilities in an area of the City, the Grantee agrees to cooperate with the City in City's proposal to create a Local Improvement District (L.I.D.) as follows:

(a) Seventy percent (70%) of the total actual cost of converting the existing overhead primary electrical distribution system (i.e. 15 KV and less) to underground shall be provided from assessments against the property owners within the L.I.D. Assessments will be in accordance with applicable law;

(b) Thirty percent (30%) of the total actual cost of converting the existing overhead primary electrical distribution system to underground shall be provided for by the Grantee;

(c) Any charges made against the L.I.D. for undergrounding other than the electrical distribution system covered under this franchise (i.e. secondary services, telephone, fire alarm, cable TV, and street lighting circuits) will not be included when determining the amount to be paid by the Grantee;

(d) Conversion of the secondary electrical service on private property is not to be included in the computation of the allocation of payments to be made by the Grantee in the L.I.D. The customer must supply and install the secondary conductor and conduit from the meter to the secondary service box located near the property line;

(e) For the purposes hereof, L.I.D. includes other mutually agreed to methods to finance undergrounding of aerial facilities, in addition to local improvement district financing pursuant to RCW 35.43 et. seq.

(2) Whenever the City may desire the undergrounding of the aerial utilities in an area of the City in conjunction with a Public Works Improvement Project (street widening, sewer installation, curb and sidewalk installation, street lighting, traffic signal, etc.) and more than 50% of these aerial facilities are in conflict with the Public Works Improvement Project, the Grantee agrees to cooperate with the City with City's proposal to underground the aerial facilities as follows:

(a) Fifty percent (50%) of the total actual cost of converting the existing overhead primary electrical distribution system to underground shall be provided by the City. (Total actual cost shall include trenching, vaults, conduit, cable, switch gears, transformers, restoration, etc.)

(b) Fifty percent (50%) of the total actual cost of converting the existing overhead electrical distribution system covered under this franchise to underground shall be provided by the Grantee. (Total actual cost shall include trenching, vaults, conduit, cable, switch gears, transformers, restoration, etc.)

(c) Any charges made against the project for undergrounding the secondary services, telephone, fire alarm, cable TV, and street lighting circuits will not be included when determining the amount to be paid by the Grantee.

(d) Conversion of the secondary electrical service on private property is not included in the project. The customer must supply and install the secondary conductor and conduit from the meter to the secondary service box.

If in the event that insufficient right-of-way is available to allow relocation of the Grantee's existing aerial system due to the requirements for a City Public Works Project, and undergrounding is therefore required, all of the above provisions (Subsection (2)(a) - (d)) shall apply.

Notwithstanding anything to the contrary in this section, this Section 5 shall not apply to high voltage lines of greater than 15 KV.

Section 6. The Grantee's Maps, Records and Plans. After construction is complete, and at a reasonable time thereafter, the Grantee shall provide to the City upon request and at no cost, a copy of all as-built plans, maps and records.

Section 7. Excavations. During any period of relocation, construction or maintenance, all surface structures, if any, shall be erected and used in such places and positions within said public right-of-ways and other public properties so as to interfere as little as practicable with the free passage of traffic and the free use of adjoining property, and the Grantee shall at all times post and maintain proper barricades and comply with all applicable safety regulations during such period of construction as required by the ordinances of the City or the laws of the State of Washington.

Whenever the Grantee shall excavate in any public right-of-way or other public property

for the purpose of installation, construction, repair, maintenance or relocation of its cable or equipment, it shall apply to the City for a permit to do so and upon obtaining a permit shall give the City at least twenty-four (24) hours notice during the normal work week of the Grantee's intent to commence work in the public right-of-way. In no case shall any work commence within any public right-of-way or other public property without a permit, except as otherwise provided in this franchise ordinance. During the progress of the work, the Grantee shall not unnecessarily obstruct the passage or proper use of the right-of-way, and shall file as-built plans or maps with the City showing the proposed and final location of its facilities.

If either the City or the Grantee shall at any time plan to make excavations in any area covered by this franchise and as described in this Section, the party planning such excavation shall afford the other, upon receipt of a written request to do so, an opportunity to share such excavation, PROVIDED THAT:

(1) Such joint use shall not unreasonably delay the work of the party causing the excavation to be made;

(2) Such joint use shall be arranged and accomplished on terms and conditions satisfactory to both parties; and

(3) Either party may deny such request for safety reasons. The provisions of this Section shall survive the expiration or termination of this franchise agreement.

Section 8. Restoration after Construction. The Grantee shall, after abandonment approved under Section 15 herein, or installation, construction, relocation, maintenance, or repair of electrical facilities within the franchise area, restore the surface of the right-of-way or public property to at least the same condition the property was in immediately prior to any such installation, construction, relocation, maintenance or repair. The Public Works Director shall have final approval of the condition of such streets and public places after restoration. All concrete encased monuments which have been disturbed or displaced by such work shall be restored pursuant to all federal, state and local standards and specifications. The Grantee agrees to promptly complete all restoration work and to promptly repair any damage caused by such work to the franchise area or other affected area at its sole cost and expense. The provisions of this Section shall survive the expiration, revocation or termination by other means of this franchise.

Section 9. Emergency Work -- Permit Waiver. In the event of any emergency in which any of the Grantee's facilities located in or under any street, breaks, are damaged, or if the Grantee's construction area is otherwise in such a condition as to immediately endanger the property, life, health or safety of any individual, the Grantee shall immediately take the proper emergency measures to repair its facilities, to cure or remedy the dangerous conditions for the protection of property, life, health or safety of individuals without first applying for and obtaining a permit as required by this franchise. However, this shall not relieve the Grantee from the requirement of obtaining any permits necessary for this purpose, and the Grantee shall apply for all such permits not later than the next succeeding day during which City Hall is open for business.

Section 10. Dangerous Conditions, Authority for City to Abate. Whenever construction, installation or excavation of facilities authorized by this franchise has caused or contributed to a condition that appears to substantially impair the lateral support of the adjoining

street or public place, or endangers the public, an adjoining public place, street utilities or City property, the Public Works Director may direct the Grantee, at the Grantee's own expense, to take actions to protect the public, adjacent public places, City property or street utilities; and such action may include compliance within a prescribed time.

In the event that the Grantee fails or refuses to promptly take the actions directed by the City, or fails to fully comply with such directions, or if emergency conditions exist which require immediate action, the City may enter upon the property and take such actions as are necessary to protect the public, the adjacent streets, or street utilities, or to maintain the lateral support thereof, or actions regarded as necessary safety precautions; and the Grantee shall be liable to the City for the costs thereof. The provisions of this Section shall survive the expiration, revocation or termination of this franchise. Grantee shall relocate, at its cost, poles or other structures that the City Engineer objectively determines are located in a place or in a way so as to constitute a danger to the public.

Section 11. Permits and Fees.

Grantee shall be required to obtain all permits from the City necessary for work in the City and/or in the City's rights-of-way. Provided that, in consideration of this agreement, including the factors set forth in Section 4, and the non-competition fees provided in Section 18 hereof, Grantee shall not be subject to any permit fees associated with Grantee's activities (except those undertaken for a private development customer) through the authority granted in this franchise ordinance or under the laws of the City.

In addition to the above, the Grantee shall promptly reimburse the City for any and all costs the City reasonably incurs in response to any emergency caused by the negligence of the Grantee. City agrees to process Grantee's and Grantee's contractors permits in the same expeditious manner as other permit applicants' permits are processed. Permits may be processed by facsimile or electronic mail.

Section 12. City's Reservation of Rights. Pursuant to RCW 35.21.860, the City is precluded from imposing a franchise fee on an electrical energy business, except for administrative expenses directly related to receiving and approving a permit, and to inspecting plans and construction.

The City hereby reserves its right to impose a franchise fee on the Grantee for purposes other than to recover its administrative expenses, if the Grantee's operations as authorized by this franchise change so that not all uses of the franchise are those of an electrical energy business or, if statutory prohibitions on the imposition of such fees are removed. In either instance, the City also reserves its right to require that the Grantee obtain a separate franchise for its change in use, which franchise may include provisions intended to regulate the Grantee's operations, as allowed under applicable law.

Section 13. Indemnification. The Grantee hereby releases, covenants not to bring suit and agrees to indemnify, defend and hold harmless the City, its officers, employees, agents and representatives from any and all claims, costs, judgments, awards or liability to any person, including claims by the Grantee's own employees to which the Grantee might otherwise be immune under Title 51 RCW, arising from injury or death of any person or damage to property, monetary losses, including refunds of charges or fees paid by customers, of which it is alleged or proven that the acts or omissions of the Grantee, its agents, servants, officers or employees in

performing this franchise caused or contributed thereto, including claims arising against the City by virtue of the City's ownership or control of the rights-of-way or other public properties, by virtue of the Grantee's exercise of the rights granted herein, including payment of any monies to the City, or by virtue of the City's permitting the Grantee's use of the City's rights-of-way or other public property, based upon the City's inspection or lack of inspection of work performed by the Grantee, its agents and servants, officers or employees in connection with work authorized on the City's property or property over which the City has control, pursuant to this franchise or pursuant to any other permit or approval issued in connection with this franchise.

Inspection or acceptance by the City of any work performed by the Grantee at the time of completion of construction shall not be grounds for avoidance of any of these covenants of indemnification. Said indemnification obligations shall extend to claims which are not reduced to a suit and any claims which may be compromised prior to the culmination of any litigation or the institution of any litigation.

In the event that the Grantee refuses the tender of defense in any suit or any claim, said tender having been made pursuant to the indemnification clauses contained herein, and said refusal is subsequently determined by a court having jurisdiction (or such other tribunal that the parties shall agree to decide the matter), to have been a wrongful refusal on the part of the Grantee, then the Grantee shall pay all of the City's costs for defense of the action, including all reasonable expert witness fees and reasonable attorneys' fees and the reasonable costs of the City, including reasonable attorneys' fees of recovering under this indemnification clause.

In the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Grantee and the City, its officers, employees and agents, the Grantee's liability hereunder shall be only to the extent of the Grantee's negligence unless otherwise provided by law. It is further specifically and expressly understood that the indemnification provided herein constitutes the Grantee's waiver of immunity under Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties.

The provisions of this Section shall survive the expiration or termination of this franchise agreement.

Section 14. Insurance. Grantee is currently self insured and has excess insurance coverage for potential liability in excess of its self insured retention amounts. To the extent that Grantee is legally obligated by this franchise, Grantee's self insurance fund and/or insurance policies shall provide adequate protection to City in amounts equivalent to the levels set forth hereinbelow. Grantee's general comprehensive liability policy which includes automobile liability coverage (if such a policy continues to be obtained), shall have an endorsement naming City and its officers and employees as additional insureds for their actions pursuant to this franchise.

The amounts of insurance coverage that the grantee shall maintain, whether by self insurance or insurance policies shall not be the equivalent of less than the following:

A. Automobile Liability insurance with limits no less than \$1,000,000 Combined Single Limit per accident for bodily injury and property damage; and

B. Commercial General Liability insurance, written on an occurrence basis with limits no less than \$1,000,000 combined single limit per occurrence and \$2,000,000 aggregate for personal injury, bodily injury and property damage. Coverage shall include but not be limited to: blanket contractual; products/completed operations; broad form property damage; explosion,

collapse and underground (XCU); and employer's liability.

Any deductibles or self-insured retentions must be declared to and approved by the City. Payment of deductible or self-insured retention shall be the sole responsibility of the Grantee.

Any insurance policy(ies) obtained by the Grantee to comply herewith shall name the City (its officers, employees and volunteers,) as an additional insured with regard to activities performed by or on behalf of the Grantee. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees or volunteers. In addition, the insurance policy shall contain a clause stating that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. The Grantee's insurance shall be primary insurance with respect to the City, its officers, officials, employees and volunteers. Any insurance policy or policies obtained by the Grantee to comply with this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

Any failure to comply with the insurance reporting provisions of the policies required herein shall not affect coverage provided to the City, its officers, officials, employees or volunteers.

Section 15. Abandonment of the Grantee's Facilities. Except for underground conduit or wires, no electrical system facility located within the public right-of-way by the Grantee may be abandoned by the Grantee without the express written consent of the City. Any plan for abandonment or removal of the Grantee's facilities must be first approved by the Public Works Director, and all necessary permits must be obtained prior to such work. The provisions of this Section shall survive the expiration, revocation or termination of this franchise agreement. Underground conduit or wires may be left in place and abandoned by Grantee.

Section 16. Street Vacations. City may have occasion to vacate certain streets, public ways or areas that have Grantee's lines and facilities located thereon. City agrees to exert reasonable good faith efforts to reserve an easement for Grantee's lines and facilities when a street, public way or area is vacated. If it is not feasible for City to reserve an easement for Grantee's line(s) and facilities, the proponents of the vacation shall be required (by City) as part of land use or other permitting approvals, to reimburse Grantee all costs to relocate said line(s) and facilities.

Section 17. Modification. The City and the Grantee hereby reserve the right to alter, amend or modify the terms and conditions of this franchise upon written agreement of both parties to such alteration, amendment or modification.

Section 18. Exercise of City Authority. The parties acknowledge that the City has authority to operate its own electric utility and also has authority to contract with other public or private entities for the purchase of electrical energy. Grantee's long range planning would be improved, and its rate structure stabilized if the City did not elect to exercise its authority in the service area of the Grantee. The City also has the authority to levy a utility tax upon electrical utility businesses operating in the City. Therefore, Grantee agrees that for and in consideration of the City not exercising its authority to operate its own electric utility in the service area served

by Grantee, not contracting with other public or private entities for the purchase of electrical energy in said service area, declining to impose a utility tax upon Grantee and the other factors of consideration set forth in Section 4 of this agreement, Grantee shall pay to the City as follows: Grantee shall pay to the City an amount equal to six percent (6%) of the total gross revenue, as defined in section 1 of this agreement, Grantee receives from Grantee's electrical utility service customers served from Grantee's electrical utility system located within the City. In addition, whenever during the term of this franchise the Grantee imposes a Utility Tax for retail electrical service in excess of the previously specified six percent (6%), the percentage of gross revenue paid by the Grantee to the City pursuant to this Section 18 shall be increased to equal the percentage Utility Tax imposed by the Grantee on such service.

The payments to the City shall be made quarterly, in four equal payments each year, on or before March 31, June 30, September 30, and December 31 of each year during the term hereof. It is provided, however, that absent any federal, state or other governmental laws or regulations to the contrary, such payments made by the Grantee to the City shall not result in a surcharge to customers in the City of Lakewood. It is further provided that nothing herein shall be deemed to impair the authority of the City to exercise its governmental powers.

Section 19. Forfeiture and Revocation. If the Grantee willfully violates or fails to comply with any of the provisions of this franchise, or through willful misconduct or gross negligence fails to heed or comply with any notice given the Grantee by the City under the provisions of this franchise, then the Grantee shall, at the election of the Lakewood City Council, forfeit all rights conferred hereunder and this franchise may be revoked or annulled by the Council after a hearing held upon reasonable notice to the Grantee. The City may elect, in lieu of the above and without any prejudice to any of its other legal rights and remedies, to obtain an order from the superior court having jurisdiction compelling the Grantee to comply with the provisions of this Ordinance and to recover damages and costs incurred by the City by reason of the Grantee's failure to comply.

Section 20. Remedies to Enforce Compliance. In addition to any other remedy provided herein, the City reserves the right to pursue any remedy to compel or force the Grantee and/or its successors and assigns to comply with the terms hereof, and the pursuit of any right or remedy by the City shall not prevent the City from thereafter declaring a forfeiture or revocation for breach of the conditions herein.

Section 21. City Ordinances and Regulations. Nothing herein shall be deemed to direct or restrict the City's ability to adopt and enforce all necessary and appropriate ordinances regulating the performance of the conditions of this franchise, including any valid ordinance made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to control by appropriate regulations the location, elevation, manner of construction and maintenance of any facilities by the Grantee, and the Grantee shall promptly conform with all such regulations, unless compliance would cause the Grantee to violate other requirements of law.

Section 22. Cost of Publication. The cost of the publication of this Ordinance shall be borne by the Grantee.

Section 23. Acceptance. Within sixty days after the passage and approval of this Ordinance, this franchise may be accepted by the Grantee by its filing with the City Clerk an unconditional written acceptance thereof. Failure of the Grantee to so accept this franchise within said period of time shall be deemed a rejection thereof by the Grantee, and the rights and privileges herein granted shall, after the expiration of the sixty day period, absolutely cease and determine, unless the time period is extended by ordinance duly passed for that purpose.

Section 24. Survival. All of the provisions, conditions and requirements of [Sections 3, Relocation of Electrical Transmission Facilities; 10, Dangerous Conditions; 13, Indemnification; and 15, Abandonment of the Grantee's Facilities, of this franchise shall be in addition to any and all other obligations and liabilities the Grantee may have to the City at common law, by statute, or by contract, and shall survive the City's franchise to the Grantee for the use of the areas mentioned in Section 1 herein, and any renewals or extensions thereof (however, such survival period extends only through the applicable statute of limitations period). All of the provisions, conditions, regulations and requirements contained in this franchise Ordinance shall further be binding upon the heirs, successors, executors, administrators, legal representatives and assigns of the Grantee and all privileges, as well as all obligations and liabilities of the Grantee shall inure to its heirs, successors and assigns equally as if they were specifically mentioned wherever the Grantee is named herein.

Section 25. Severability. If any section, sentence, clause or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this franchise Ordinance. In the event that any of the provisions of this franchise are held to be invalid by a court of competent jurisdiction, the City reserves the right to reconsider the grant of this franchise and may amend, repeal, add, replace or modify any other provision of this franchise, or may terminate this franchise.

Section 26. Assignment. This agreement may not be assigned or transferred without the written approval of the City, except the Grantee may freely assign this Agreement in whole or in part to a parent, subsidiary, or affiliated corporation or as part of any corporate financing, reorganization or refinancing and provided that the City's approval shall not be unreasonably withheld. In the case of transfer or assignment as security by mortgage or other security instrument in whole or in part to secure indebtedness, such consent shall not be required unless and until the secured party elects to realize upon the collateral. The Grantee shall provide prompt, written notice to the City of any such assignment.

Section 27. Notice. Any notice or information required or permitted to be given to the parties under this franchise agreement may be sent to the following addresses unless otherwise specified:

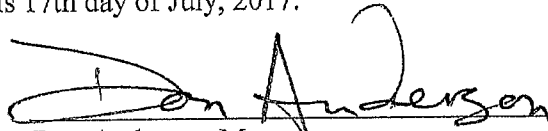
To City:
City of Lakewood
6000 Main Street
Lakewood, WA 98499-5013

To Grantee:
Tacoma Public Utilities
3628 South 35th Street
Tacoma, WA 98409-3115

Section 28. Effective Date. This Ordinance has first been submitted to the Lakewood City Attorney; granted an approving vote of at least a majority of the City Council at a regular meeting after initial introduction on July 10, 2017, and been published in summary at least once in a newspaper of general circulation in the City of Lakewood prior to its adoption.

This franchise ordinance shall be effective thirty (30) days after execution and upon publication of the Ordinance Summary, and pursuant to RCW 80.32.040 is subject to referendum under the general laws of this state.


ADOPTED by the City Council this 17th day of July, 2017.


Don Anderson, Mayor

Attest:


Alice M. Bush, MMC, City Clerk

Approved as to Form:


Heidi Ann Wachter, City Attorney

Ordinance No. 00139

(Council Minutes 97/09/15)

ORDINANCE NO. 139

AN ORDINANCE OF THE CITY OF LAKEWOOD, WASHINGTON, GRANTING UNTO THE CITY OF TACOMA DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION, A MUNICIPAL CORPORATION, ITS SUCCESSORS AND ASSIGNS, THE RIGHT, PRIVILEGE, AUTHORITY AND NONEXCLUSIVE FRANCHISE FOR TWENTY YEARS, TO CONSTRUCT, MAINTAIN, OPERATE, REPLACE AND REPAIR AN ELECTRICAL LIGHT AND POWER SYSTEM, IN, ACROSS, OVER, ALONG, UNDER, THROUGH AND BELOW CERTAIN DESIGNATED PUBLIC RIGHTS-OF-WAY OF THE CITY OF LAKEWOOD, WASHINGTON.

WHEREAS, the City of Tacoma Department of Public Utilities, Light Division has requested that the City Council grant it a nonexclusive franchise; and

WHEREAS, the City Council has the authority to grant franchises for the use of its streets and other public properties (RCW 35A.47.040); NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF LAKEWOOD, WASHINGTON, DO ORDAIN as follows:

Section 1. Franchise Granted. Pursuant to RCW 35A.47.040, the City of Lakewood, a Washington municipal corporation (hereinafter the "City"), hereby grants to City of Tacoma, Department of Public Utilities, Light Division, a municipal corporation organized under the laws of the State of Washington (hereinafter "Grantee"), its heirs, successors, legal representatives and assigns, subject to the terms and conditions hereinafter set forth, a franchise for a period of 20 years, beginning on the effective date of this ordinance.

Pursuant to RCW 35A.47.040, the City of Lakewood, a Washington municipal corporation (hereinafter the "City"), hereby grants to City of Tacoma, Department of Public Utilities, Light Division, a municipal corporation organized under the laws of the State of Washington (hereinafter "Grantee"), its heirs, successors, legal representatives and assigns, subject to the terms and conditions hereinafter set forth, a franchise for a period of 20 years, beginning on the effective date of this ordinance. Grantee and City may agree to extend the term of this franchise on substantially the same terms and conditions as set forth herein for up to two extensions of five years per extension.

This franchise grants the Grantee the right, privilege and authority to construct, operate, maintain, replace, and use all necessary equipment and facilities including communication infrastructure therefor for an electric utility system, in, under, on, across, over, through, along or below the public right-of-ways and public places located in the City of Lakewood, as approved under City permits issued pursuant to this franchise.

For the purposes of the franchise the following words and phrases shall have the following meaning:

- (1) Aelectric utility system@ means all plant, facilities, equipment, wires, conduit, meters, communication infrastructure, generation equipment, transmission and distribution poles as may be necessary to provide electric utility service for customers. It does not include accessory or energy services, including but not limited to technical energy usage assistance, and (non-traditional) business activities such as telecommunications including cable television, or other business activities.
- (2) Aelectric utility service@ means all actions directly related to providing electric power and energy to customers for lighting, appliances, fixtures, space heating and cooling, water heating and other energy uses. It does not include accessory or energy services, including but not limited to technical energy usage assistance, and (non-traditional) business activities such as information services, appliances, and telecommunications including cable television, or other business activities.(3)

Aelectric utility service@ means all actions directly related to providing electric power and energy to customers for lighting, appliances, fixtures, space heating and cooling, water heating and other energy uses. It does not include accessory or energy services, including but not limited to technical energy usage assistance, and (non-traditional) business activities such as information services, appliances, and telecommunications including cable television, or other business activities.(3) Agross

revenue@ means money or funds received by reason of transaction of electric utility service business including sales of electric power and energy to customers. Gross revenue does not include: (a) uncollected amounts; (b) amounts received from condemnation award or condemnation settlement; (c) amounts received as compensation or reimbursement of damages to or protection of any property of Grantee; (d) amounts received as compensation for or in aid to construction; (e) discounts, returns, allowances and repossessions; and (f) amounts received for street light maintenance and operation.

Section 2. Non-Exclusive Franchise Grant. This franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in, along, over, through, under, below or across any of said right-of-ways, streets, avenues or all other public lands and properties of every type and description. Such franchise shall in no way prevent or prohibit the City from using any of said roads, streets or other public properties or affect its jurisdiction over them or any part of them, and the City shall retain power to make all necessary changes, relocations, repairs, maintenance, establishment, improvement, dedication of same as the City may deem fit, including the dedication, establishment, maintenance, and improvement of all new rights-of-ways, thoroughfares and other public properties of every type and description. It is provided, however, City agrees not to compete with Grantee as an electric utility system or provider of electric utility service in the current service area of the Grantee during the period of this franchise.

This franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in, along, over, through, under, below or across any of said right-of-ways, streets, avenues or all other public lands and properties of every type and description. Such franchise shall in no way prevent or prohibit the City from using any of said roads, streets or other public properties or affect its jurisdiction over them or any part of them, and the City shall retain power to make all necessary changes, relocations, repairs, maintenance, establishment, improvement, dedication of same as the City may deem fit, including the dedication, establishment, maintenance, and improvement of all new rights-of-ways, thoroughfares and other public properties of every type and description. It is provided, however, City agrees not to compete with Grantee as an electric utility system or provider of electric utility service in the current service area of the Grantee during the period of this franchise.

Section 3. Relocation of Electrical Transmission Facilities. The Grantee agrees and covenants at its sole cost and expense, to protect, support, temporarily disconnect, relocate or remove from any street, any component of its electric utility system when so required by the City by reason of traffic conditions or public safety, dedications of new rights-of-way and the establishment and improvement thereof, widening and improvement of existing rights-of-way, street vacations, freeway construction, change or establishment of street grade, or the construction of any public improvement or structure by the City, provided that the Grantee shall in all such cases have the privilege to temporarily bypass, in the authorized portion of the same street upon approval by the City, any section of electrical line or facility required to be temporarily disconnected or removed. The provisions of this section shall not be applicable if the relocation need results from a private development, use or activity.

The Grantee agrees and covenants at its sole cost and expense, to protect, support, temporarily disconnect, relocate or remove from any street, any component of its electric utility system when so required by the City by reason of traffic conditions or public safety, dedications of new rights-of-way and the establishment and improvement thereof, widening and improvement of existing rights-of-way, street vacations, freeway construction, change or establishment of street grade, or the construction of any public improvement or structure by the City, provided that the Grantee shall in all such cases have the privilege to temporarily bypass, in the authorized portion of the same street upon approval by the City, any section of electrical line or facility required to be temporarily disconnected or removed. The provisions of this section shall not be applicable if the relocation need results from a private development, use or activity.

If the City determines that the project necessitates the relocation of the Grantee's then existing facilities, the City shall:

(1) At least ninety (90) days prior to commencement of construction of such improvement project, provide the Grantee with written notice and plans requiring such relocation, unless another time period for the notice is agreed to by the parties for a particular project.

(2) Provide the Grantee with copies of pertinent portions of the plans and specifications for such improvement project and a proposed location for the Grantee's facilities so that the Grantee may relocate its facilities in other City right-of-way in order to accommodate such improvement project. After receipt of such notice and such plans and specifications, the Grantee shall complete relocation of its facilities at no charge or expense to the City (except as hereinafter provided) so as to accommodate the improvement project construction schedule.

The Grantee may, after receipt of written notice requesting a relocation of its facilities, submit to the City written alternatives to such relocation. The City shall evaluate such alternatives and advise the Grantee in writing if one or more of the alternatives is suitable to accommodate the work which would otherwise necessitate relocation of the facilities. If so requested by the City, the Grantee shall submit additional information to assist the City in making such evaluation. The City shall give each alternative proposed by the Grantee full and fair consideration. In the event the City ultimately determines that there is no other reasonable alternative, the Grantee shall relocate its facilities as otherwise provided in this Section. Provided, however, the parties agree to exercise good faith, reasonable and timely decision making especially when issues arise in the field pertaining to relocations. The provisions of this Section shall survive the expiration or termination of this franchise agreement.

The provisions of this Section shall in no manner preclude or restrict the Grantee from making any arrangements it may deem appropriate when responding to a request for relocation of its facilities by any person or entity other than the City, where the facilities to be constructed by said person or entity are not or will not become City-owned, operated or maintained facilities, provided that such arrangements do not unduly delay a City construction project. The City on occasion will be constructing, reconstructing and/or relocating roads, streets, public ways, areas or facilities within the right-of-way or property which will require Grantee to install and/or relocate part of its electric utility system. Grantee will be relying on the alignment, lines and grades as set forth in City=s approval plans wherein Grantee thereafter constructs or reconstructs its electric utility system in accordance with City=s requirements and City standards. Therefore, if City thereafter again adjusts and/or revises the alignment, line or grade for a road, street, public way or area, before this part of the Grantee=s electric utility system has been in place for fifteen (15) years (commencing with the initial City revision), then City agrees to reimburse Grantee a pro rata share of the total relocation costs based on fifteen (15) year life expectancy for the portion of Grantee=s electric utility system that is affected by the City revision unless differently agreed to in writing by City and Grantee at the time of the installation or relocation. City recognizes and acknowledges that Grantee owns utility poles and other parts of its electric utility system that may on occasion be of special benefit to certain customers. City also recognizes that Grantee has the right to require an additional charge for the privilege and special use of its electric utility system including its poles. Grantee agrees to allow the City to apply temporary banners and decorations to Grantee=s poles at no charge so long as it does not impede use of Grantee=s poles by Grantee, and is consistent with all appropriate safety regulations.

Section 4. Consideration For Agreement. (1) The consideration for this agreement includes, but is not limited to, the mutual and individual benefits of this agreement that allow each of the parties the ability to make long term planning decisions in light of the provisions set forth herein, the waiver of permit fees after the first three years of this agreement, as provided in Section 11 of this agreement, the non-competition provisions as provided in Section 18 of this agreement, and any fees that may be charged pursuant to RCW 35.21.860(b).

(1) The consideration for this agreement includes, but is not limited to, the mutual and individual benefits of this agreement that allow each of the parties the ability to make long term planning decisions in light of the provisions set forth herein, the waiver of permit fees after the first three years of this agreement, as provided in Section 11 of this agreement, the non-competition provisions as provided in Section 18 of this agreement, and any fees that may be charged pursuant to RCW 35.21.860(b). (2) If the City grants to any other energy provider a franchise or allows any other energy provider to operate under terms that are over-all more favorable to the other energy provider than those set forth herein, Grantee shall have the right to renegotiate the provisions of this franchise that Grantee believes are over-all less favorable to it than those authorized or allowed to said energy provider. Provided, however, Grantee may not exercise this above re-negotiation right for a period of two years from the effective date of this franchise. Grantee shall also have the right to renegotiate the provisions of this franchise that are affected by a substantial change in state or federal law that would allow the City the opportunity to tax and assess additional revenue from the Grantee=s operations within the corporate boundaries of the City.

In the case where the parties do not agree on the renegotiation or identification of affected provisions of this franchise, the parties agree to a binding arbitration process as follows: Each of the parties shall select an arbitrator, and the two arbitrators shall select a third arbitrator. If the two arbitrators are unable to select a third arbitrator, the third arbitrator shall be selected by the presiding judge of the Pierce County Superior Court. In accordance with the procedures of Chapter 7.04 of the Revised Code of Washington, the panel of three arbitrators shall review the evidence and authorities presented by the parties and hear the argument of the parties, and thereafter decide the issue(s) presented for arbitration. The arbitrators shall be authorized to require each party to provide to the other reasonable discovery. The arbitrators shall render their decision based upon their interpretation of the provisions of this franchise agreement. The arbitrators are not empowered to modify or amend the text of this franchise agreement. The parties agree to be bound by the decisions of the panel of arbitrators as to the identification of affected provisions of this franchise and/or the re-negotiation thereof.

If there is a substantial change in the law or circumstances beyond the control of a party hereto that substantially adversely affects said party, then said party may re-open this agreement to address the terms affected by the change in the law or

circumstances, and the parties agree to negotiate in good faith to address said concerns and to accomplish the original intent of both parties.

Section 5. Undergrounding of Facilities. In any area of the City in which there are no aerial facilities, or in any area in which telephone, electric power wires and cables have been placed underground, the Grantee shall not be permitted to erect poles or to run or suspend wires, cables or other facilities thereon, but shall lay such wires, cables or other facilities underground in the manner required by the City. Provided that except for high voltage lines, the electric service and distribution lines to new construction in areas that are to be served by the Grantee and that were not previously served by the Grantee shall be undergrounded.

In any area of the City in which there are no aerial facilities, or in any area in which telephone, electric power wires and cables have been placed underground, the Grantee shall not be permitted to erect poles or to run or suspend wires, cables or other facilities thereon, but shall lay such wires, cables or other facilities underground in the manner required by the City. Provided that except for high voltage lines, the electric service and distribution lines to new construction in areas that are to be served by the Grantee and that were not previously served by the Grantee shall be undergrounded.

(1) Whenever the City may desire the undergrounding of the aerial utilities in an area of the City, the Grantee agrees to cooperate with the City in City's proposal to create a Local Improvement District (L.I.D.) as follows:

(a) Seventy percent (70%) of the total actual cost of converting the existing overhead primary electrical distribution system (i.e. 15 KV and less) to underground shall be provided from assessments against the property owners within the L.I.D. Assessments will be in accordance with applicable law;

(b) Thirty percent (30%) of the total actual cost of converting the existing overhead primary electrical distribution system to underground shall be provided for by the Grantee;

(c) Any charges made against the L.I.D. for undergrounding other than the electrical distribution system covered under this franchise (i.e. secondary services, telephone, fire alarm, cable TV, and street lighting circuits) will not be included when determining the amount to be paid by the Grantee;

(d) Conversion of the secondary electrical service on private property is not to be included in the computation of the allocation of payments to be made by the Grantee in the L.I.D. The customer must supply and install the secondary conductor and conduit from the meter to the secondary service box located near the property line;

L.I.D. The customer must supply and install the secondary conductor and conduit from the meter to the secondary service box located near the property line;

(e) For the purposes hereof, L.I.D. includes other mutually agreed to methods to finance undergrounding of aerial facilities, in addition to local improvement district financing pursuant to RCW 35.43 et. seq.

(2) Whenever the City may desire the undergrounding of the aerial utilities in an area of the City in conjunction with a Public Works Improvement Project (street widening, sewer installation, curb and sidewalk installation, street lighting, traffic signal, etc.) and more than 50% of these aerial facilities are in conflict with the Public Works Improvement Project, the Grantee agrees to cooperate with the City with City's proposal to underground the aerial facilities as follows:

(a) Fifty percent (50%) of the total actual cost of converting the existing overhead primary electrical distribution system to underground shall be provided by the City. (Total actual cost shall include trenching, vaults, conduit, cable, switch gears, transformers, restoration, etc.)

(b) Fifty percent (50%) of the total actual cost of converting the existing overhead electrical distribution system covered under this franchise to underground shall be provided by the Grantee. (Total actual cost shall include trenching, vaults, conduit, cable, switch gears, transformers, restoration, etc.)

(c) Any charges made against the project for undergrounding the secondary services, telephone, fire alarm, cable TV, and street lighting circuits will not be included when determining the amount to be paid by the Grantee.

(d) Conversion of the secondary electrical service on private property is not included in the project. The customer must supply and install the secondary conductor and conduit from the meter to the secondary service box.

If in the event that insufficient right-of-way is available to allow relocation of the Grantee's existing aerial system due to the

requirements for a City Public Works Project, and undergrounding is therefore required, all of the above provisions (Subsection (2)(a) - (d)) shall apply.

Notwithstanding anything to the contrary in this section, this Section 5 shall not apply to high voltage lines of greater than 15 KV.

Section 6. The Grantee's Maps, Records and Plans. After construction is complete, and at a reasonable time thereafter, the Grantee shall provide to the City upon request and at no cost, a copy of all as-built plans, maps and records.

After construction is complete, and at a reasonable time thereafter, the Grantee shall provide to the City upon request and at no cost, a copy of all as-built plans, maps and records.

Section 7. Excavations. During any period of relocation, construction or maintenance, all surface structures, if any, shall be erected and used in such places and positions within said public right-of-ways and other public properties so as to interfere as little as practicable with the free passage of traffic and the free use of adjoining property, and the Grantee shall at all times post and maintain proper barricades and comply with all applicable safety regulations during such period of construction as required by the ordinances of the City or the laws of the State of Washington.

During any period of relocation, construction or maintenance, all surface structures, if any, shall be erected and used in such places and positions within said public right-of-ways and other public properties so as to interfere as little as practicable with the free passage of traffic and the free use of adjoining property, and the Grantee shall at all times post and maintain proper barricades and comply with all applicable safety regulations during such period of construction as required by the ordinances of the City or the laws of the State of Washington.

Whenever the Grantee shall excavate in any public right-of-way or other public property for the purpose of installation, construction, repair, maintenance or relocation of its cable or equipment, it shall apply to the City for a permit to do so and upon obtaining a permit shall give the City at least twenty-four (24) hours notice during the normal work week of the Grantee's intent to commence work in the public right-of-way. In no case shall any work commence within any public right-of-way or other public property without a permit, except as otherwise provided in this franchise ordinance. During the progress of the work, the Grantee shall not unnecessarily obstruct the passage or proper use of the right-of-way, and shall file as-built plans or maps with the City showing the proposed and final location of its facilities.

If either the City or the Grantee shall at any time plan to make excavations in any area covered by this franchise and as described in this Section, the party planning such excavation shall afford the other, upon receipt of a written request to do so, an opportunity to share such excavation, PROVIDED THAT:

- (1) Such joint use shall not unreasonably delay the work of the party causing the excavation to be made;
- (2) Such joint use shall be arranged and accomplished on terms and conditions satisfactory to both parties; and
- (3) Either party may deny such request for safety reasons. The provisions of this Section shall survive the expiration or termination of this franchise agreement.

Section 8. Restoration after Construction. The Grantee shall, after abandonment approved under Section 15 herein, or installation, construction, relocation, maintenance, or repair of electrical facilities within the franchise area, restore the surface of the right-of-way or public property to at least the same condition the property was in immediately prior to any such installation, construction, relocation, maintenance or repair. The Public Works Director shall have final approval of the condition of such streets and public places after restoration. All concrete encased monuments which have been disturbed or displaced by such work shall be restored pursuant to all federal, state and local standards and specifications. The Grantee agrees to promptly complete all restoration work and to promptly repair any damage caused by such work to the franchise area or other affected area at its sole cost and expense. The provisions of this Section shall survive the expiration, revocation or termination by other means of this franchise.

The Grantee shall, after abandonment approved under Section 15 herein, or installation, construction, relocation, maintenance, or repair of electrical facilities within the franchise area, restore the surface of the right-of-way or public property to at least the same condition the property was in immediately prior to any such installation, construction, relocation, maintenance or repair. The Public Works Director shall have final approval of the condition of such streets and public places after restoration. All concrete encased monuments which have been disturbed or displaced by such work shall be restored pursuant to all federal, state and local standards and specifications. The Grantee agrees to promptly complete all restoration work and to promptly repair any damage caused by such work to the franchise area or other affected area at its sole cost and expense. The provisions of this Section shall survive the expiration, revocation or termination by other means of this franchise.

Section 9. Emergency Work -- Permit Waiver. In the event of any emergency in which any of the Grantee's facilities located in or under any street, breaks, are damaged, or if the Grantee's construction area is otherwise in such a condition as to immediately endanger the property, life, health or safety of any individual, the Grantee shall immediately take the proper emergency measures to repair its facilities, to cure or remedy the dangerous conditions for the protection of property, life, health or safety of individuals without first applying for and obtaining a permit as required by this franchise. However, this shall not relieve the Grantee from the requirement of obtaining any permits necessary for this purpose, and the Grantee shall apply for all such permits not later than the next succeeding day during which City Hall is open for business.

In the event of any emergency in which any of the Grantee's facilities located in or under any street, breaks, are damaged, or if the Grantee's construction area is otherwise in such a condition as to immediately endanger the property, life, health or safety of any individual, the Grantee shall immediately take the proper emergency measures to repair its facilities, to cure or remedy the dangerous conditions for the protection of property, life, health or safety of individuals without first applying for and obtaining a permit as required by this franchise. However, this shall not relieve the Grantee from the requirement of obtaining any permits necessary for this purpose, and the Grantee shall apply for all such permits not later than the next succeeding day during which City Hall is open for business.

Section 10. Dangerous Conditions, Authority for City to Abate. Whenever construction, installation or excavation of facilities authorized by this franchise has caused or contributed to a condition that appears to substantially impair the lateral support of the adjoining street or public place, or endangers the public, an adjoining public place, street utilities or City property, the Public Works Director may direct the Grantee, at the Grantee's own expense, to take actions to protect the public, adjacent public places, City property or street utilities; and such action may include compliance within a prescribed time.

Whenever construction, installation or excavation of facilities authorized by this franchise has caused or contributed to a condition that appears to substantially impair the lateral support of the adjoining street or public place, or endangers the public, an adjoining public place, street utilities or City property, the Public Works Director may direct the Grantee, at the Grantee's own expense, to take actions to protect the public, adjacent public places, City property or street utilities; and such action may include compliance within a prescribed time.

In the event that the Grantee fails or refuses to promptly take the actions directed by the City, or fails to fully comply with such directions, or if emergency conditions exist which require immediate action, the City may enter upon the property and take such actions as are necessary to protect the public, the adjacent streets, or street utilities, or to maintain the lateral support thereof, or actions regarded as necessary safety precautions; and the Grantee shall be liable to the City for the costs thereof. The provisions of this Section shall survive the expiration, revocation or termination of this franchise. Grantee shall relocate, at its cost, poles or other structures that the City Engineer objectively determines are located in a place or in a way so as to constitute a danger to the public.

Section 11. Permits and Fees.

Grantee shall be required to obtain all permits from the City necessary for work in the City and/or in the City's rights-of-way. During the first three years of this franchise, Grantee and contractors of Grantee shall pay for all permit fees associated with projects of Grantee located within the corporate limits of the City, pursuant to the applicable City fee schedules, Provided, however, that permit fees shall be based on actual costs to the City. Thereafter, in consideration of this agreement, including

the factors set forth in Section 4, and the non-competition fees provided in Section 18 hereof, Grantee shall not further be subject to any permit fees associated with Grantee's activities (except those undertaken for a private development customer) through the authority granted in this franchise ordinance or under the laws of the City. In addition to the above, the Grantee shall promptly reimburse the City for any and all costs the City reasonably incurs in response to any emergency caused by the negligence of the Grantee. City agrees to process Grantee's and Grantee's contractors permits in the same expeditious manner as other permit applicants' permits are processed. Permits may be processed by facsimile or electronic mail.

Section 12. City's Reservation of Rights. Pursuant to RCW 35.21.860, the City is precluded from imposing a franchise fee on an electrical energy business, except for administrative expenses directly related to receiving and approving a permit, and to inspecting plans and construction.

Pursuant to RCW 35.21.860, the City is precluded from imposing a franchise fee on an electrical energy business, except for administrative expenses directly related to receiving and approving a permit, and to inspecting plans and construction. The City hereby reserves its right to impose a franchise fee on the Grantee for purposes other than to recover its administrative expenses, if the Grantee's operations as authorized by this franchise change so that not all uses of the franchise are those of an electrical energy business or, if statutory prohibitions on the imposition of such fees are removed. In either instance, the City also reserves its right to require that the Grantee obtain a separate franchise for its change in use, which franchise may include provisions intended to regulate the Grantee's operations, as allowed under applicable law.

Section 13. Indemnification. The Grantee hereby releases, covenants not to bring suit and agrees to indemnify, defend and hold harmless the City, its officers, employees, agents and representatives from any and all claims, costs, judgments, awards or liability to any person, including claims by the Grantee's own employees to which the Grantee might otherwise be immune under Title 51 RCW, arising from injury or death of any person or damage to property, monetary losses, including refunds of charges or fees paid by customers, of which it is alleged or proven that the acts or omissions of the Grantee, its agents, servants, officers or employees in performing this franchise caused or contributed thereto, including claims arising against the City by virtue of the City's ownership or control of the rights-of-way or other public properties, by virtue of the Grantee's exercise of the rights granted herein, including payment of any monies to the City, or by virtue of the City's permitting the Grantee's use of the City's rights-of-way or other public property, based upon the City's inspection or lack of inspection of work performed by the Grantee, its agents and servants, officers or employees in connection with work authorized on the City's property or property over which the City has control, pursuant to this franchise or pursuant to any other permit or approval issued in connection with this franchise.

The Grantee hereby releases, covenants not to bring suit and agrees to indemnify, defend and hold harmless the City, its officers, employees, agents and representatives from any and all claims, costs, judgments, awards or liability to any person, including claims by the Grantee's own employees to which the Grantee might otherwise be immune under Title 51 RCW, arising from injury or death of any person or damage to property, monetary losses, including refunds of charges or fees paid by customers, of which it is alleged or proven that the acts or omissions of the Grantee, its agents, servants, officers or employees in performing this franchise caused or contributed thereto, including claims arising against the City by virtue of the City's ownership or control of the rights-of-way or other public properties, by virtue of the Grantee's exercise of the rights granted herein, including payment of any monies to the City, or by virtue of the City's permitting the Grantee's use of the City's rights-of-way or other public property, based upon the City's inspection or lack of inspection of work performed by the Grantee, its agents and servants, officers or employees in connection with work authorized on the City's property or property over which the City has control, pursuant to this franchise or pursuant to any other permit or approval issued in connection with this franchise. Inspection or acceptance by the City of any work performed by the Grantee at the time of completion of construction shall not be grounds for avoidance of any of these covenants of indemnification. Said indemnification obligations shall extend to claims which are not reduced to a suit and any claims which may be compromised prior to the culmination of any litigation or the institution of any litigation.

In the event that the Grantee refuses the tender of defense in any suit or any claim, said tender having been made pursuant to the indemnification clauses contained herein, and said refusal is subsequently determined by a court having jurisdiction (or such other tribunal that the parties shall agree to decide the matter), to have been a wrongful refusal on the part of the Grantee, then the Grantee shall pay all of the City's costs for defense of the action, including all reasonable expert witness fees and reasonable attorneys' fees and the reasonable costs of the City, including reasonable attorneys' fees of recovering under this indemnification clause.

In the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Grantee and the City, its officers, employees and agents, the Grantee's liability hereunder shall be only to the extent of the Grantee's negligence unless otherwise provided by law. It is further specifically and expressly understood that the indemnification provided herein constitutes the Grantee's waiver of immunity under Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties.

The provisions of this Section shall survive the expiration or termination of this franchise agreement.

Section 14. Insurance. Grantee is currently self insured and has excess insurance coverage for potential liability in excess of its self insured retention amounts. To the extent that Grantee is legally obligated by this franchise, Grantee's self insurance fund and/or insurance policies shall provide adequate protection to City in amounts equivalent to the levels set forth hereinbelow. Grantee's general comprehensive liability policy which includes automobile liability coverage (if such a policy continues to be obtained), shall have an endorsement naming City and its officers and employees as additional insureds for their actions pursuant to this franchise. The amounts of insurance coverage that the grantee shall maintain, whether by self insurance or insurance policies shall not be the equivalent of less than the following:

A. Automobile Liability insurance with limits no less than \$1,000,000 Combined Single Limit per accident for bodily injury and property damage; and

B. Commercial General Liability insurance, written on an occurrence basis with limits no less than \$1,000,000 combined single limit per occurrence and \$2,000,000 aggregate for personal injury, bodily injury and property damage. Coverage shall include but not be limited to: blanket contractual; products/completed operations; broad form property damage; explosion, collapse and underground (XCU); and employer's liability.

Any deductibles or self-insured retentions must be declared to and approved by the City. Payment of deductible or self-insured retention shall be the sole responsibility of the Grantee.

Any insurance policy(ies) obtained by the Grantee to comply herewith shall name the City (its officers, employees and volunteers,) as an additional insured with regard to activities performed by or on behalf of the Grantee. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees or volunteers. In addition, the insurance policy shall contain a clause stating that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. The Grantee's insurance shall be primary insurance with respect to the City, its officers, officials, employees and volunteers. Any insurance policy or policies obtained by the Grantee to comply with this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

Any failure to comply with the insurance reporting provisions of the policies required herein shall not affect coverage provided to the City, its officers, officials, employees or volunteers.

Section 15. Abandonment of the Grantee's Facilities. Except for underground conduit or wires, no electrical system facility located within the public right-of-way by the Grantee may be abandoned by the Grantee without the express written consent of the City. Any plan for abandonment or removal of the Grantee's facilities must be first approved by the Public Works Director, and all necessary permits must be obtained prior to such work. The provisions of this Section shall survive the expiration, revocation or termination of this franchise agreement. Underground conduit or wires may be left in place and abandoned by Grantee.

Except for underground conduit or wires, no electrical system facility located within the public right-of-way by the Grantee may be abandoned by the Grantee without the express written consent of the City. Any plan for abandonment or removal of the Grantee's facilities must be first approved by the Public Works Director, and all necessary permits must be obtained prior to such work. The provisions of this Section shall survive the expiration, revocation or termination of this franchise agreement. Underground conduit or wires may be left in place and abandoned by Grantee.

Section 16. Street Vacations. City may have occasion to vacate certain streets, public ways or areas that have Grantee=s lines and facilities located thereon. City agrees to exert reasonable good faith efforts to reserve an easement for Grantee=s lines and facilities when a street, public way or area is vacated. If it is not feasible for City to reserve an easement for Grantee=s line(s) and facilities, the proponents of the vacation shall be required (by City) as part of land use or other permitting approvals, to reimburse Grantee all costs to relocate said line(s) and facilities.

Section 17. Modification. The City and the Grantee hereby reserve the right to alter, amend or modify the terms and conditions of this franchise upon written agreement of both parties to such alteration, amendment or modification.

The City and the Grantee hereby reserve the right to alter, amend or modify the terms and conditions of this franchise upon written agreement of both parties to such alteration, amendment or modification.

Section 18. Exercise of City Authority. The parties acknowledge that the City has authority to operate its own electric utility and also has authority to contract with other public or private entities for the purchase of electrical energy. Grantee's long range planning would be improved, and its rate structure stabilized if the City did not elect to exercise its authority in the service area of the Grantee. Therefore, Grantee agrees that for and in consideration of the City not exercising its authority to operate its own electric utility in the service area served by Grantee, or not contracting with other public or private entities for the purchase of electrical energy in said service area, and the other factors of consideration set forth in Section 4 of this agreement, Grantee shall pay to the City an annual fee in the amount of \$80,000 for 1998, provided that the total payment to the City shall not exceed one percent (1%) of the total gross revenues Grantee received during the prior year from Grantee=s electric utility service customers served from Grantee=s electric utility system located within City=s street rights-of-way; in the amount of \$170,000 for 1999, provided that the total payment to the City shall not exceed two percent (2%) of such total gross revenues received during the prior year; in the amount of \$265,000 for 2000, provided that the total payment to the City shall not exceed three percent (3%) of such total gross revenues received during the prior year; in the amount of \$370,000 for 2001, provided that the total payment to the City shall not exceed four percent (4%) of such total gross revenues received during the prior year; in the amount of \$480,000 for 2002, provided that the total payment to the City shall not exceed five percent (5%) of such total gross revenues received during the prior year; in the amount of \$595,000 for 2003 and each year thereafter provided that the amount thereof shall be adjusted annually thereafter by an amount equal to the percentage of the difference in the Grantee=s annual gross revenues derived from the franchise area as indicated in the two most recent financial reports, and further provided that the total payment to the City shall not exceed six percent (6%) of the total gross revenues Grantee received during the prior year from Grantee=s electric utility service customers served from Grantee=s electric utility system located within City=s street rights-of-way. The payments to the City shall be made quarterly, in four equal payments each year, on or before March 31, June 30, September 30, and December 31 of each year during the term hereof. It is provided, however, that absent any federal, state or other governmental laws or regulations to the contrary, such payments made by the Grantee to the City shall not result in a surcharge to customers in the City of Lakewood. It is further provided that nothing herein shall be deemed to impair the authority of the City to exercise its governmental powers.

Section 19. Forfeiture and Revocation. If the Grantee willfully violates or fails to comply with any of the provisions of this franchise, or through willful misconduct or gross negligence fails to heed or comply with any notice given the Grantee by the City under the provisions of this franchise, then the Grantee shall, at the election of the Lakewood City Council, forfeit all rights conferred hereunder and this franchise may be revoked or annulled by the Council after a hearing held upon reasonable notice to the Grantee. The City may elect, in lieu of the above and without any prejudice to any of its other legal rights and remedies, to obtain an order from the superior court having jurisdiction compelling the Grantee to comply with the provisions of this Ordinance and to recover damages and costs incurred by the City by reason of the Grantee's failure to comply.

If the Grantee willfully violates or fails to comply with any of the provisions of this franchise, or through willful misconduct or gross negligence fails to heed or comply with any notice given the Grantee by the City under the provisions of this franchise, then the Grantee shall, at the election of the Lakewood City Council, forfeit all rights conferred hereunder and this franchise may be revoked or annulled by the Council after a hearing held upon reasonable notice to the Grantee. The City may elect, in lieu of the above and without any prejudice to any of its other legal rights and remedies, to obtain an order from the superior court having jurisdiction compelling the Grantee to comply with the provisions of this Ordinance and to recover damages and costs incurred by the City by reason of the Grantee's failure to comply.

Section 20. Remedies to Enforce Compliance. In addition to any other remedy provided herein, the City reserves the right to pursue any remedy to compel or force the Grantee and/or its successors and assigns to comply with the terms hereof, and the pursuit of any right or remedy by the City shall not prevent the City from thereafter declaring a forfeiture or revocation for breach of the conditions herein.

In addition to any other remedy provided herein, the City reserves the right to pursue any remedy to compel or force the Grantee and/or its successors and assigns to comply with the terms hereof, and the pursuit of any right or remedy by the City shall not prevent the City from thereafter declaring a forfeiture or revocation for breach of the conditions herein.

Section 21. City Ordinances and Regulations. Nothing herein shall be deemed to direct or restrict the City's ability to adopt and enforce all necessary and appropriate ordinances regulating the performance of the conditions of this franchise, including any valid ordinance made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to control by appropriate regulations the location, elevation, manner of construction and maintenance of any facilities by the Grantee, and the Grantee shall promptly conform with all such regulations, unless compliance would cause the Grantee to violate other requirements of law.

Nothing herein shall be deemed to direct or restrict the City's ability to adopt and enforce all necessary and appropriate ordinances regulating the performance of the conditions of this franchise, including any valid ordinance made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to control by appropriate regulations the location, elevation, manner of construction and maintenance of any facilities by the Grantee, and the Grantee shall promptly conform with all such regulations, unless compliance would cause the Grantee to violate other requirements of law.

Section 22. Cost of Publication. The cost of the publication of this Ordinance shall be borne by the Grantee.

The cost of the publication of this Ordinance shall be borne by the Grantee.

Section 23. Acceptance. Within sixty days after the passage and approval of this Ordinance, this franchise may be accepted by the Grantee by its filing with the City Clerk an unconditional written acceptance thereof. Failure of the Grantee to so accept this franchise within said period of time shall be deemed a rejection thereof by the Grantee, and the rights and privileges herein granted shall, after the expiration of the sixty day period, absolutely cease and determine, unless the time period is extended by ordinance duly passed for that purpose.

Within sixty days after the passage and approval of this Ordinance, this franchise may be accepted by the Grantee by its filing with the City Clerk an unconditional written acceptance thereof. Failure of the Grantee to so accept this franchise within said period of time shall be deemed a rejection thereof by the Grantee, and the rights and privileges herein granted shall, after the expiration of the sixty day period, absolutely cease and determine, unless the time period is extended by ordinance duly passed for that purpose.

Section 24. Survival. All of the provisions, conditions and requirements of [Sections 3, Relocation of Electrical Transmission Facilities; 10, Dangerous Conditions; 13, Indemnification; and 15, Abandonment of the Grantee's Facilities, of this franchise shall be in addition to any and all other obligations and liabilities the Grantee may have to the City at common law, by statute, or by contract, and shall survive the City's franchise to the Grantee for the use of the areas mentioned in Section 1 herein, and any renewals or extensions thereof (however, such survival period extends only through the applicable statute of limitations period). All of the provisions, conditions, regulations and requirements contained in this franchise Ordinance shall further be binding upon the heirs, successors, executors, administrators, legal representatives and assigns of the Grantee and all privileges, as well as all obligations and liabilities of the Grantee shall inure to its heirs, successors and assigns equally as if they were specifically mentioned wherever the Grantee is named herein.

All of the provisions, conditions and requirements of [Sections 3, Relocation of Electrical Transmission Facilities; 10, Dangerous Conditions; 13, Indemnification; and 15, Abandonment of the Grantee's Facilities, of this franchise shall be in addition to any and all other obligations and liabilities the Grantee may have to the City at common law, by statute, or by contract, and shall survive the City's franchise to the Grantee for the use of the areas mentioned in Section 1 herein, and any renewals or extensions thereof (however, such survival period extends only through the applicable statute of limitations period). All of the provisions, conditions, regulations and requirements contained in this franchise Ordinance shall further be binding upon the heirs, successors, executors, administrators, legal representatives and assigns of the Grantee and all privileges, as well as all obligations and liabilities of the Grantee shall inure to its heirs, successors and assigns equally as if they were specifically mentioned wherever the Grantee is named herein.

Section 25. Severability. If any section, sentence, clause or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this franchise Ordinance. In the event that any of the provisions of this franchise are held to be invalid by a court of competent jurisdiction, the City reserves the right to reconsider the grant of this franchise and may amend, repeal, add, replace or modify any other provision of this franchise, or may terminate this franchise.

If any section, sentence, clause or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this franchise Ordinance. In the event that any of the provisions of this franchise are held to be invalid by a court of competent jurisdiction, the City reserves the right to reconsider the grant of this franchise and may amend, repeal, add, replace or modify any other provision of this franchise, or may terminate this franchise.

Section 26. Assignment. This agreement may not be assigned or transferred without the written approval of the City, except the Grantee may freely assign this Agreement in whole or in part to a parent, subsidiary, or affiliated corporation or as part of any corporate financing, reorganization or refinancing and provided that the City's approval shall not be unreasonably withheld. In the case of transfer or assignment as security by mortgage or other security instrument in whole or in part to secure indebtedness, such consent shall not be required unless and until the secured party elects to realize upon the collateral. The Grantee shall provide prompt, written notice to the City of any such assignment.

Section 27. Notice. Any notice or information required or permitted to be given to the parties under this franchise agreement may be sent to the following addresses unless otherwise specified:

Any notice or information required or permitted to be given to the parties under this franchise agreement may be sent to the following addresses unless otherwise specified:

To City: To Grantee:

City of Lakewood Tacoma Public Utilities

10510 Gravelly Lake Drive, S.W. #206 3628 South 35th Street

Lakewood, WA 98499-5013 Tacoma, WA 98409-3115

Section 28. Effective Date. This Ordinance has first been submitted to the Lakewood City Attorney; granted an approving vote of at least a majority of the City Council at a regular meeting after initial introduction on September 2, 1997, and been published in summary at least once in a newspaper of general circulation in the City of Lakewood prior to its adoption.

This franchise ordinance shall be effective thirty (30) days after execution and upon publication of the Ordinance Summary, and pursuant to RCW 80.32.040 is subject to referendum under the general laws of this state.

ADOPTED by the City Council this 15th day of September, 1997.

CITY OF LAKEWOOD

Bill Harrison, Mayor

Attest:

Alice M. Bush, CMC, City Clerk

Approved as to Form:

Daniel B. Heid, City Attorney

.....



RESOLUTION NO. U-10946

A RESOLUTION related to Tacoma Power; authorizing acceptance of a 20-year franchise extension granted by the City of University Place.

WHEREAS the City of Tacoma, Department of Public Utilities Light Division (d.b.a. Tacoma Power), recommends approval of a 20-year franchise extension with the City of University Place ("UP"), and

WHEREAS the franchise covers all of UP and includes desirable terms related to project coordination and

WHEREAS the administrative fee, assessed in lieu of permit and processing fees, remains unchanged, and


WHEREAS, on July 17, 2017, the City Council of the City of University Place passed the terms of the franchise by Ordinance No. 690, and now requires acceptance by Tacoma Power to become a binding agreement, Now, Therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the franchise extension granted to Tacoma Power by the Council of the City of University Place, pursuant to Ordinance No. 690, is hereby approved, and the Power Superintendent is authorized to execute such documents as necessary to accept such extension.

Approved as to form and legality:

Chair


Chief Deputy City Attorney

Secretary

Clerk

Adopted

of August 9, 2017

REQUEST FOR RESOLUTION

Date: July 28, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Authorization for Tacoma Power to accept franchise extension granted by the City of University Place

2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

The City of University Place has granted to Tacoma Power a 20-year franchise extension to allow continued operation within its jurisdiction. We requested an extension because current franchise terms have served us well and will continue to in the future. The franchise includes desirable project coordination terms and does not include permit fees, franchise fees, or processing fees. The franchise administrative fee is unchanged with this extension.

3. Summarized reason for resolution:

It is necessary for Tacoma Power to obtain a franchise from the City of University Place in order to continue to operate within University Place boundaries. The attached 20-year franchise extension (ordinance) was passed by the City Council of the City of University Place on July 17, 2017 and requires acceptance by Tacoma Power to become an agreement.

4. Attachments:

- a. Memo to William A. Gaines, Director of Utilities/CEO from Chris Robinson, Power Superintendent, dated July 28, 2017
- b. Franchise extension granted to Tacoma Power by the City of University Place (University Place Ordinance 690)
- c. University Place Franchise (University Place Ordinance 165)

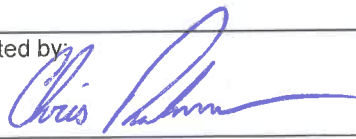
5. ☒ Funds available ☐ Proposed action has no budgetary impact

6. Deviations requiring special waivers:


Originated by:

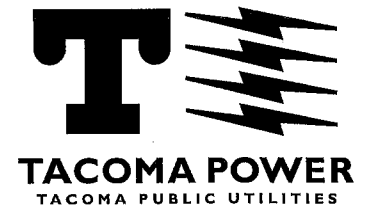

for Dolores Stegeman
Section Head

Requested by:


Division Head

Approved:


Director of Utilities



DATE: July 28, 2017
TO: William A. Gaines, Director of Utilities/CEO
FROM: Chris Robinson, Power Superintendent CR
SUBJECT: Authorization to Accept Franchise Extension Granted by the City of University Place to Tacoma Power

RECOMMENDATION

Tacoma Power requested and University Place has granted a 20-year extension of our franchise to operate within its jurisdiction. Tacoma Power recommends that the Public Utility Board authorize acceptance of this franchise extension.

BACKGROUND

Tacoma Power's franchise with University Place is coming to the end of its 20-year term. The franchise has served us well and we believe it will continue to in the future.

Favorable terms include:

- Strong utility coordination provisions
- No permit fees
- No processing fees
- No franchise fees

The franchise administrative fee is unchanged with this extension.

We believe the extension is practical, efficient and reflective of a good working relationship with the City of University Place. This franchise extension will result in ongoing coordination and ability to serve our customers within University Place.

FUNDING

Funds for the franchise administrative fee are collected through power rates and are available in Tacoma Power's budget.

SUMMARY

It is necessary for Tacoma Power to obtain a franchise from the City of University Place in order to continue to operate within University Place boundaries. This franchise extension was passed by the City Council of the City of University Place on July 17, 2017 Ordinance NO. 690 and requires acceptance by Tacoma Power to become an agreement.

Your approval is requested to submit this franchise to the Public Utility Board for consideration in authorizing acceptance.

APPROVED:



William A. Gaines

Director of Utilities/CEO

ORDINANCE NO. 690

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE,
WASHINGTON, GRANTING A TWENTY-YEAR EXTENSION OF ORDINANCE NO. 165,
THE CITY'S NONEXCLUSIVE FRANCHISE TO THE CITY OF TACOMA DEPARTMENT
OF PUBLIC UTILITIES, LIGHT DIVISION**

WHEREAS, on September 15, 1997, the City Council passed Ordinance No. 165, which authorized City of Tacoma Department of Public Utilities, Light Division (TPU-Light), to construct, maintain, operate, replace and repair an electrical light and power system, in, across, over, along, under, through and below certain designated public rights-of-way of the City of University Place for a twenty-year period; and

WHEREAS, TPU-Light's franchise will expire on October 15, 2017; and

WHEREAS, TPU-Light has requested a twenty-year extension of the Franchise Agreement; and

WHEREAS, it would be in the residents' best interest to extend TPU-Light's franchise for a period of twenty (20) years;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE DOES
ORDAIN AS FOLLOWS:**

Section 1. Extension Granted. The Franchise Agreement with City of Tacoma Department of Public Utilities, Light Division, approved by Ordinance No. 165, is hereby extended for twenty (20) years from the effective date of this Ordinance.

Section 2. Full force and Effect. With the exception of the extension of the term set forth in Section 1 of the Franchise Agreement with City of Tacoma Department of Public Utilities, Light Division, all other terms, conditions, rights and responsibilities contained in said Agreement remain in full force and effect.

Section 3. Severability. If any one or more sections, subsections or sentences of this ordinance are held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this ordinance and the same shall remain in full force and effect.


Section 4. Effective date. This Ordinance shall take effect five days after publication.


PASSED BY THE CITY COUNCIL ON JULY 17, 2017.

ATTEST:


Emelita Genetia, City Clerk

APPROVED AS TO FORM:


Matthew S. Kaser, City Attorney


Javier H. Figueroa, Mayor

Published: 07/19/17
Effective Date: 07/24/17



City Council Records

City Council Records > Ordinances > 165

Ordinances: 165

Ordinance Number	165
Ordinance Subject	Granting 20 Year Electrical Franchise
Date Adopted	9/15/1997
Repealed By	
Amended By	690
Ordinance	

ORDINANCE NO. 165

AN ORDINANCE OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, GRANTING UNTO THE CITY OF TACOMA DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION, A MUNICIPAL CORPORATION, ITS SUCCESSORS AND ASSIGNS, THE RIGHT, PRIVILEGE, AUTHORITY AND NONEXCLUSIVE FRANCHISE FOR TWENTY YEARS, TO CONSTRUCT, MAINTAIN, OPERATE, REPLACE AND REPAIR AN ELECTRICAL LIGHT AND POWER SYSTEM, IN, ACROSS, OVER, ALONG, UNDER, THROUGH AND BELOW CERTAIN DESIGNATED PUBLIC RIGHTS-OF-WAY OF THE CITY OF UNIVERSITY PLACE, WASHINGTON.

WHEREAS, the City of Tacoma Department of Public Utilities, Light Division has requested that the City Council grant it a nonexclusive franchise; and

WHEREAS, the City Council has the authority to grant franchises for the use of its streets and other public properties (RCW 35A.47.040); NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Franchise Granted. Pursuant to RCW 35A.47.040, the City of University Place, a Washington municipal corporation (hereinafter the "City"), hereby grants to City of Tacoma, Department of Public Utilities, Light Division, a municipal corporation organized under the laws of the State of Washington (hereinafter "Grantee"), its heirs, successors, legal representatives and assigns, subject to the terms and conditions hereinafter set forth, a franchise for a period of 20 years, beginning on the effective date of this ordinance.

Grantee and City may agree to extend the term of this franchise on substantially the same terms and conditions as set forth herein

for up to two extensions of five years per extension.

This franchise grants the Grantee the right, privilege and authority to construct, operate, maintain, replace, and use all necessary equipment and facilities including communication infrastructure therefor for an electric utility system, in, under, on, across, over, through, along or below the public right-of-ways and public places located in the City of University Place, as approved under City permits issued pursuant to this franchise.

For the purposes of the franchise the following words and phrases shall have the following meaning:

"electric utility system" means all plant, facilities, equipment, wires, conduit, meters, communication infrastructure, generation equipment, transmission and distribution poles as may be necessary to provide electric utility service for customers. It does not include accessory or energy services, including but not limited to technical energy usage assistance, and (non-traditional) business activities such as telecommunications including cable television, or other business activities.

"electric utility service" means all actions directly related to providing electric power and energy to customers for lighting, appliances, fixtures, space heating and cooling, water heating and other energy uses. It does not include accessory or energy services, including but not limited to technical energy usage assistance, and (non-traditional) business activities such as information services, appliances, and telecommunications including cable television, or other business activities.

"gross revenue" means money or funds received by reason of transaction of electric utility service business including sales of electric power and energy to customers. Gross revenue does not include: (a) uncollected amounts; (b) amounts received from condemnation award or condemnation settlement; (c) amounts received as compensation or reimbursement of damages to or protection of any property of Grantee; (d) amounts received as compensation for or in aid to construction; (e) discounts, returns, allowances and repossessions; and (f) amounts received for street light maintenance and operation.

Section 2. Non-Exclusive Franchise Grant. This franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in, along, over, through, under, below or across any of said right-of-ways, streets, avenues or all other public lands and properties of every type and description. Such franchise shall in no way prevent or prohibit the City from using any of said roads, streets or other public properties or affect its jurisdiction over them or any part of them, and the City shall retain power to make all necessary changes, relocations, repairs, maintenance, establishment, improvement, dedication of same as the City may deem fit, including the dedication, establishment, maintenance, and improvement of all new rights-of-ways, thoroughfares and other public properties of every type and description. It is provided, however, City agrees not to compete with Grantee as an electric utility system or provider of electric utility service in the current service area of the Grantee during the period of this franchise.

Section 3. Relocation of Electrical Transmission Facilities.

The Grantee agrees and covenants at its sole cost and expense,

to protect, support, temporarily disconnect, relocate or remove from any street, any component of its electric utility system when so required by the City by reason of traffic conditions or public safety, dedications of new rights-of-way and the establishment and improvement thereof, widening and improvement of existing rights-of-way, street vacations, freeway construction, change or establishment of street grade, or the construction of any public improvement or structure by the City, provided that the Grantee shall in all such cases have the privilege to temporarily bypass, in the authorized portion of the same street upon approval by the City, any section of electrical line or facility required to be temporarily disconnected or removed. The provisions of this section shall not be applicable if the relocation need results from a private development, use or activity.

If the City determines that the project necessitates the relocation of the Grantee's then existing facilities, the City shall:

At least ninety (90) days prior to commencement of construction of such improvement project, provide the Grantee with written notice and plans requiring such relocation, unless another time period for the notice is agreed to by the parties for a particular project.

Provide the Grantee with copies of pertinent portions of the plans and specifications for such improvement project and a proposed location for the Grantee's facilities so that the Grantee may relocate its facilities in other City right-of-way in order to accommodate such improvement project. After receipt of such notice and such plans and specifications, the Grantee shall complete relocation of its facilities at no charge or expense to the City (except as hereinafter provided) so as to accommodate the improvement project construction schedule.

The Grantee may, after receipt of written notice requesting a relocation of its facilities, submit to the City written alternatives to such relocation. The City shall evaluate such alternatives and advise the Grantee in writing if one or more of the alternatives is suitable to accommodate the work which would otherwise necessitate relocation of the facilities. If so requested by the City, the Grantee shall submit additional information to assist the City in making such evaluation. The City shall give each alternative proposed by the Grantee full and fair consideration. In the event the City ultimately determines that there is no other reasonable alternative, the Grantee shall relocate its facilities as otherwise provided in this Section. Provided, however, the parties agree to exercise good faith, reasonable and timely decision making especially when issues arise in the field pertaining to relocations.

The provisions of this Section shall survive the expiration or termination of this franchise agreement.

The provisions of this Section shall in no manner preclude or restrict the Grantee from making any arrangements it may deem appropriate when responding to a request for relocation of its facilities by any person or entity other than the City, where the facilities to be constructed by said person or entity are not or will not become City-owned, operated or maintained facilities, provided that such arrangements do not unduly delay a City construction project. The City on occasion will be constructing, reconstructing and/or relocating roads, streets, public ways, areas or facilities within the right-of-way or property which will require

Grantee to install and/or relocate part of its electric utility system.

Grantee will be relying on the alignment, lines and grades as set forth in City's approval plans wherein Grantee thereafter constructs or reconstructs its electric utility system in accordance with City's requirements and City standards. Therefore, if City thereafter again adjusts and/or revises the alignment, line or grade for a road, street, public way or area, before this part of the Grantee's electric utility system has been in place for fifteen (15) years (commencing with the initial City revision), then City agrees to reimburse Grantee a pro rata share of the total relocation costs based on fifteen (15) year life expectancy for the portion of Grantee's electric utility system that is affected by the City revision unless differently agreed to in writing by City and Grantee at the time of the installation or relocation.

City recognizes and acknowledges that Grantee owns utility poles and other parts of its electric utility system that may on occasion be of special benefit to certain customers. City also recognizes that Grantee has the right to require an additional charge for the privilege and special use of its electric utility system including its poles. Grantee agrees to allow the City to apply temporary banners and decorations to Grantee's poles at no charge so long as it does not impede use of Grantee's poles by Grantee, and is consistent with all appropriate safety regulations.

Section 4. Consideration For Agreement. (a) The consideration for this agreement includes, but is not limited to, the mutual and individual benefits of this agreement that allow each of the parties the ability to make long term planning decisions in light of the provisions set forth herein, the waiver of permit fees after the first three years of this agreement, as provided in Section 11 of this agreement, the non-competition provisions as provided in Section 18 of this agreement, and any fees that may be charged pursuant to RCW 35.21.860(b).

(b) If the City grants to any other energy provider a franchise or allows any other energy provider to operate under terms that are over-all more favorable to the other energy provider than those set forth herein, Grantee shall have the right to renegotiate the provisions of this franchise that Grantee believes are over-all less favorable to it than those authorized or allowed to said energy provider. Provided, however, Grantee may not exercise this above re-negotiation right for a period of two years from the effective date of this franchise. Grantee shall also have the right to renegotiate the provisions of this franchise that are affected by a substantial change in state or federal law that would allow the City the opportunity to tax and assess additional revenue from the Grantee's operations within the corporate boundaries of the City. In the case where the parties do not agree on the renegotiation or identification of affected provisions of this franchise, the parties agree to a binding arbitration process as follows: Each of the parties shall select an arbitrator, and the two arbitrators shall select a third arbitrator. If the two arbitrators are unable to select a third arbitrator, the third arbitrator shall be selected by the Presiding Judge of the Pierce County Superior Court. In accordance with the procedures of Chapter 7.04 of the Revised Code of Washington, the panel of three arbitrators shall review the evidence and authorities presented by the parties and hear the argument of the parties, and thereafter decide the issue(s)

presented for arbitration. The arbitrators shall be authorized to require each party to provide to the other reasonable discovery.

The arbitrators shall render their decision based upon their interpretation of the provisions of this franchise agreement. The arbitrators are not empowered to modify or amend the text of this franchise agreement. The parties agree to be bound by the decisions of the panel of arbitrators as to the identification of affected provisions of this franchise and/or the re-negotiation thereof.

If there is a substantial change in the law or circumstances beyond the control of a party hereto that substantially adversely affects said party, then said party may re-open this agreement to address the terms affected by the change in the law or circumstances, and the parties agree to negotiate in good faith to address said concerns and to accomplish the original intent of both parties.

Section 5. Undergrounding of Facilities. In any area of the City in which there are no aerial facilities, or in any area in which telephone, electric power wires and cables have been placed underground, the Grantee shall not be permitted to erect poles or to run or suspend wires, cables or other facilities thereon, but shall lay such wires, cables or other facilities underground in the manner required by the City. Provided that except for high voltage lines, the electric service and distribution lines to new construction in areas that are to be served by the Grantee and that were not previously served by the Grantee shall be undergrounded.

(1) Whenever the City may desire the undergrounding of the aerial utilities in an area of the City, the Grantee agrees to cooperate with the City in City's proposal to create a Local Improvement District (L.I.D.) as follows:

(a) Seventy percent (70%) of the total actual cost of converting the existing overhead primary electrical distribution system (i.e. 15 KV and less) to underground shall be provided from assessments against the property owners within the L.I.D.

Assessments will be in accordance with applicable law;

(b) Thirty percent (30%) of the total actual cost of converting the existing overhead primary electrical distribution system to underground shall be provided for by the Grantee;

(c) Any charges made against the L.I.D. for undergrounding other than the electrical distribution system covered under this franchise (i.e. secondary services, telephone, fire alarm, cable TV, and street lighting circuits) will not be included when determining the amount to be paid by the Grantee;

(d) Conversion of the secondary electrical service on private property is not to be included in the computation of the allocation of payments to be made by the Grantee in the L.I.D. The customer must supply and install the secondary conductor and conduit from the meter to the secondary service box located near the property line;

(e) For the purposes hereof, L.I.D. includes other mutually agreed to methods to finance undergrounding of aerial facilities, in addition to local improvement district financing pursuant to RCW 35.43 et. seq.

(2) Whenever the City may desire the undergrounding of the aerial utilities in an area of the City in conjunction with a Public

Works Improvement Project (street widening, sewer installation, curb and sidewalk installation, street lighting, traffic signal, etc.) and more than 50% of these aerial facilities are in conflict with the Public Works Improvement Project, the Grantee agrees to cooperate with the City with City's proposal to underground the aerial facilities as follows:

(a) Fifty percent (50%) of the total actual cost of converting the existing overhead primary electrical distribution system to underground shall be provided by the City. (Total actual cost shall include trenching, vaults, conduit, cable, switch gears, transformers, restoration, etc.)

(b) Fifty percent (50%) of the total actual cost of converting the existing overhead electrical distribution system covered under this franchise to underground shall be provided by the Grantee.

(Total actual cost shall include trenching, vaults, conduit, cable, switch gears, transformers, restoration, etc.)

(c) Any charges made against the project for undergrounding the secondary services, telephone, fire alarm, cable TV, and street lighting circuits will not be included when determining the amount to be paid by the Grantee.

(d) Conversion of the secondary electrical service on private property is not included in the project. The customer must supply and install the secondary conductor and conduit from the meter to the secondary service box.

If in the event that insufficient right-of-way is available to allow relocation of the Grantee's existing aerial system due to the requirements for a City Public Works Project, and undergrounding is therefore required, all of the above provisions (Subsection (2)

(a) - (d)) shall apply.

Notwithstanding anything to the contrary in this section, this Section 5 shall not apply to high voltage lines of greater than 15 KV.

Section 6. The Grantee's Maps, Records and Plans. After construction is complete, and at a reasonable time thereafter, the Grantee shall provide to the City upon request and at no cost, a copy of all as-built plans, maps and records.

Section 7. Excavations. During any period of relocation, construction or maintenance, all surface structures, if any, shall be erected and used in such places and positions within said public right-of-ways and other public properties so as to interfere as little as practicable with the free passage of traffic and the free use of adjoining property, and the Grantee shall at all times post and maintain proper barricades and comply with all applicable safety regulations during such period of construction as required by the ordinances of the City or the laws of the State of Washington.

Whenever the Grantee shall excavate in any public right-of-way or other public property for the purpose of installation, construction, repair, maintenance or relocation of its cable or equipment, it shall apply to the City for a permit to do so and upon obtaining a permit shall give the City at least twenty-four (24) hours notice during the normal work week of the Grantee's intent to commence work in the public right-of-way. In no case shall any work commence within any public right-of-way or other public property without a permit, except as otherwise provided in this franchise ordinance.

During the progress of the work, the Grantee shall not

unnecessarily obstruct the passage or proper use of the right-of-way, and shall file as-built plans or maps with the City showing the proposed and final location of its facilities.

If either the City or the Grantee shall at any time plan to make excavations in any area covered by this franchise and as described in this Section, the party planning such excavation shall afford the other, upon receipt of a written request to do so, an opportunity to share such excavation, PROVIDED THAT:

(A) Such joint use shall not unreasonably delay the work of the party causing the excavation to be made;

(B) Such joint use shall be arranged and accomplished on terms and conditions satisfactory to both parties; and

(C) Either party may deny such request for safety reasons. The provisions of this Section shall survive the expiration or termination of this franchise agreement.

Section 8. Restoration after Construction. The Grantee shall, after abandonment approved under Section 15 herein, or installation, construction, relocation, maintenance, or repair of electrical facilities within the franchise area, restore the surface of the right-of-way or public property to at least the same condition the property was in immediately prior to any such installation, construction, relocation, maintenance or repair. The Public Works Director shall have final approval of the condition of such streets and public places after restoration. All concrete encased monuments which have been disturbed or displaced by such work shall be restored pursuant to all federal, state and local standards and specifications. The Grantee agrees to promptly complete all restoration work and to promptly repair any damage caused by such work to the franchise area or other affected area at its sole cost and expense. The provisions of this Section shall survive the expiration, revocation or termination by other means of this franchise.

Section 9. Emergency Work -- Permit Waiver. In the event of any emergency in which any of the Grantee's facilities located in or under any street, breaks, are damaged, or if the Grantee's construction area is otherwise in such a condition as to immediately endanger the property, life, health or safety of any individual, the Grantee shall immediately take the proper emergency measures to repair its facilities, to cure or remedy the dangerous conditions for the protection of property, life, health or safety of individuals without first applying for and obtaining a permit as required by this franchise. However, this shall not relieve the Grantee from the requirement of obtaining any permits necessary for this purpose, and the Grantee shall apply for all such permits not later than the next succeeding day during which City Hall is open for business.

Section 10. Dangerous Conditions, Authority for City to Abate. Whenever construction, installation or excavation of facilities authorized by this franchise has caused or contributed to a condition that appears to substantially impair the lateral support of the adjoining street or public place, or endangers the public, an adjoining public place, street utilities or City property, the Public Works Director may direct the Grantee, at the Grantee's own expense, to take actions to protect the public, adjacent public places, City property or street utilities; and such action may include compliance within a prescribed time.

In the event that the Grantee fails or refuses to promptly take the actions directed by the City, or fails to fully comply with such directions, or if emergency conditions exist which require immediate action, the City may enter upon the property and take such actions as are necessary to protect the public, the adjacent streets, or street utilities, or to maintain the lateral support thereof, or actions regarded as necessary safety precautions; and the Grantee shall be liable to the City for the costs thereof. The provisions of this Section shall survive the expiration, revocation or termination of this franchise. Grantee shall relocate, at its cost, poles or other structures that the City Engineer objectively determines are located in a place or in a way so as to constitute a danger to the public.

Section 11. Permits and Fees.

Grantee shall be required to obtain all permits from the City necessary for work in the City and/or in the City's rights-of-way.

During the first three years of this franchise, Grantee and contractors of Grantee shall pay for all permit fees associated with projects of Grantee located within the corporate limits of the City, pursuant to the applicable City fee schedules, Provided, however, that permit fees shall be based on actual costs to the City.

Thereafter, in consideration of this agreement, including the factors set forth in Section 4, and the non-competition fees provided in Section 18 hereof, Grantee shall not further be subject to any permit fees associated with Grantee's activities (except those undertaken for a private development customer) through the authority granted in this franchise ordinance or under the laws of the City.

In addition to the above, the Grantee shall promptly reimburse the City for any and all costs the City reasonably incurs in response to any emergency caused by the negligence of the Grantee. City agrees to process Grantee's and Grantee's contractors permits in the same expeditious manner as other permit applicants' permits are processed. Permits may be processed by facsimile or electronic mail.

Section 12. City's Reservation of Rights. Pursuant to RCW 35.21.860, the City is precluded from imposing a franchise fee on an electrical energy business, except for administrative expenses directly related to receiving and approving a permit, and to inspecting plans and construction.

The City hereby reserves its right to impose a franchise fee on the Grantee for purposes other than to recover its administrative expenses, if the Grantee's operations as authorized by this franchise change so that not all uses of the franchise are those of an electrical energy business or, if statutory prohibitions on the imposition of such fees are removed. In either instance, the City also reserves its right to require that the Grantee obtain a separate franchise for its change in use, which franchise may include provisions intended to regulate the Grantee's operations, as allowed under applicable law.

Section 13. Indemnification. The Grantee hereby releases, covenants not to bring suit and agrees to indemnify, defend and hold harmless the City, its officers, employees, agents and representatives from any and all claims, costs, judgments, awards or liability to any person, including claims by the Grantee's own employees to which the Grantee might otherwise be immune

under Title 51 RCW, arising from injury or death of any person or damage to property, monetary losses, including refunds of charges or fees paid by customers, of which it is alleged or proven that the acts or omissions of the Grantee, its agents, servants, officers or employees in performing this franchise caused or contributed thereto, including claims arising against the City by virtue of the City's ownership or control of the rights-of-way or other public properties, by virtue of the Grantee's exercise of the rights granted herein, including payment of any monies to the City, or by virtue of the City's permitting the Grantee's use of the City's rights-of-way or other public property, based upon the City's inspection or lack of inspection of work performed by the Grantee, its agents and servants, officers or employees in connection with work authorized on the City's property or property over which the City has control, pursuant to this franchise or pursuant to any other permit or approval issued in connection with this franchise.

Inspection or acceptance by the City of any work performed by the Grantee at the time of completion of construction shall not be grounds for avoidance of any of these covenants of indemnification. Said indemnification obligations shall extend to claims which are not reduced to a suit and any claims which may be compromised prior to the culmination of any litigation or the institution of any litigation.

In the event that the Grantee refuses the tender of defense in any suit or any claim, said tender having been made pursuant to the indemnification clauses contained herein, and said refusal is subsequently determined by a court having jurisdiction (or such other tribunal that the parties shall agree to decide the matter), to have been a wrongful refusal on the part of the Grantee, then the Grantee shall pay all of the City's costs for defense of the action, including all reasonable expert witness fees and reasonable attorneys' fees and the reasonable costs of the City, including reasonable attorneys' fees of recovering under this indemnification clause.

In the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Grantee and the City, its officers, employees and agents, the Grantee's liability hereunder shall be only to the extent of the Grantee's negligence unless otherwise provided by law. It is further specifically and expressly understood that the indemnification provided herein constitutes the Grantee's waiver of immunity under Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties.

The provisions of this Section shall survive the expiration or termination of this franchise agreement.

Section 14. Insurance. Grantee is currently self insured and has excess insurance coverage for potential liability in excess of its self insured retention amounts. To the extent that Grantee is legally obligated by this franchise, Grantee's self insurance fund and/or insurance policies shall provide adequate protection to City in amounts equivalent to the levels set forth hereinbelow.

Grantee's general comprehensive liability policy which includes automobile liability coverage (if such a policy continues to be obtained), shall have an endorsement naming City and its officers

and employees as additional insureds for their actions pursuant to this franchise.

The amounts of insurance coverage that the grantee shall maintain, whether by self insurance or insurance policies shall not be the equivalent of less than the following:

A. Automobile Liability insurance with limits no less than \$1,000,000 Combined Single Limit per accident for bodily injury and property damage; and

B. Commercial General Liability insurance, written on an occurrence basis with limits no less than \$1,000,000 combined single limit per occurrence and \$2,000,000 aggregate for personal injury, bodily injury and property damage. Coverage shall include but not be limited to: blanket contractual; products/completed operations; broad form property damage; explosion, collapse and underground (XCU); and employer's liability.

Any deductibles or self-insured retentions must be declared to and approved by the City. Payment of deductible or self-insured retention shall be the sole responsibility of the Grantee.

Any insurance policy(ies) obtained by the Grantee to comply herewith shall name the City (its officers, employees and volunteers,) as an additional insured with regard to activities performed by or on behalf of the Grantee. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees or volunteers. In addition, the insurance policy shall contain a clause stating that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. The Grantee's insurance shall be primary insurance with respect to the City, its officers, officials, employees and volunteers. Any insurance policy or policies obtained by the Grantee to comply with this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

Any failure to comply with the insurance reporting provisions of the policies required herein shall not affect coverage provided to the City, its officers, officials, employees or volunteers.

Section 15. Abandonment of the Grantee's Facilities.

Except for underground conduit or wires, no electrical system facility located within the public right-of-way by the Grantee may be abandoned by the Grantee without the express written consent of the City. Any plan for abandonment or removal of the Grantee's facilities must be first approved by the Public Works Director, and all necessary permits must be obtained prior to such work. The provisions of this Section shall survive the expiration, revocation or termination of this franchise agreement.

Underground conduit or wires may be left in place and abandoned by Grantee.

Section 16. Street Vacations. City may have occasion to vacate certain streets, public ways or areas that have Grantee's lines and facilities located thereon. City agrees to exert reasonable good faith efforts to reserve an easement for Grantee's lines and facilities when a street, public way or area is vacated. If it is not feasible for City to reserve an easement for Grantee's line (s) and facilities, the proponents of the vacation shall be required

(by City) as part of land use or other permitting approvals, to reimburse Grantee all costs to relocate said line(s) and facilities.

Section 17. Modification. The City and the Grantee hereby reserve the right to alter, amend or modify the terms and conditions of this franchise upon written agreement of both parties to such alteration, amendment or modification.

Section 18. Exercise of City Authority. The parties acknowledge that the City has authority to operate its own electric utility and also has authority to contract with other public or private entities for the purchase of electrical energy. Grantee's long range planning would be improved, and its rate structure stabilized if the City did not elect to exercise its authority in the service area of the Grantee. Therefore, Grantee agrees that for and in consideration of the City not exercising its authority to operate its own electric utility in the service area served by Grantee, or not contracting with other public or private entities for the purchase of electrical energy in said service area, and the other factors of consideration set forth in Section 4 of this agreement, Grantee shall pay to the City an annual fee in the amount of \$130,000 for 1998; in the amount of \$265,000 for 1999; in the amount of \$400,000 for 2000; in the amount of \$540,000 for 2001; in the amount of \$680,000 for 2002; in the amount of \$825,000 for 2003 and each year thereafter, provided that the amount thereof shall be adjusted annually thereafter by an amount equal to the percentage of the difference in the Grantee's annual gross revenues derived from the franchise area as indicated in the two most recent financial reports, and further provided that the total payment to the City shall not exceed six percent (6%) of the total gross revenues Grantee receives from Grantee's electric utility service customers served from Grantee's electric utility system located within City's street rights-of-way.

The payments to the City shall be made quarterly, in four equal payments each year, on or before March 31, June 30, September 30, and December 31 of each year during the term hereof. It is provided, however, that absent any Federal, State or other governmental laws or regulations to the contrary, such payments made by the Grantee to the City shall not result in a surcharge to the customers in the City of University Place. It is further provided that nothing herein shall be deemed to impair the authority of the City to exercise its governmental powers.

Section 19. Forfeiture and Revocation. If the Grantee willfully violates or fails to comply with any of the provisions of this franchise, or through willful misconduct or gross negligence fails to heed or comply with any notice given the Grantee by the City under the provisions of this franchise, then the Grantee shall, at the election of the University Place City Council, forfeit all rights conferred hereunder and this franchise may be revoked or annulled by the Council after a hearing held upon reasonable notice to the Grantee. The City may elect, in lieu of the above and without any prejudice to any of its other legal rights and remedies, to obtain an order from the superior court having jurisdiction compelling the Grantee to comply with the provisions of this Ordinance and to recover damages and costs incurred by the City by reason of the Grantee's failure to comply.

Section 20. Remedies to Enforce Compliance. In addition to any other remedy provided herein, the City reserves the right to

pursue any remedy to compel or force the Grantee and/or its successors and assigns to comply with the terms hereof, and the pursuit of any right or remedy by the City shall not prevent the City from thereafter declaring a forfeiture or revocation for breach of the conditions herein.

Section 21. City Ordinances and Regulations. Nothing herein shall be deemed to direct or restrict the City's ability to adopt and enforce all necessary and appropriate ordinances regulating the performance of the conditions of this franchise, including any valid ordinance made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to control by appropriate regulations the location, elevation, manner of construction and maintenance of any facilities by the Grantee, and the Grantee shall promptly conform with all such regulations, unless compliance would cause the Grantee to violate other requirements of law.

Section 22. Cost of Publication. The cost of the publication of this Ordinance shall be borne by the Grantee.

Section 23. Acceptance. Within sixty days after the passage and approval of this Ordinance, this franchise may be accepted by the Grantee by its filing with the City Clerk an unconditional written acceptance thereof. Failure of the Grantee to so accept this franchise within said period of time shall be deemed a rejection thereof by the Grantee, and the rights and privileges herein granted shall, after the expiration of the sixty day period, absolutely cease and determine, unless the time period is extended by ordinance duly passed for that purpose.

Section 24. Survival. All of the provisions, conditions and requirements of Sections 3, Relocation of Electrical Transmission Facilities; 10, Dangerous Conditions; 13, Indemnification; and 15, Abandonment of the Grantee's Facilities, of this franchise shall be in addition to any and all other obligations and liabilities the Grantee may have to the City at common law, by statute, or by contract, and shall survive the City's franchise to the Grantee for the use of the areas mentioned in Section 1 herein, and any renewals or extensions thereof (however, such survival period extends only through the applicable statute of limitations period).

All of the provisions, conditions, regulations and requirements contained in this franchise Ordinance shall further be binding upon the heirs, successors, executors, administrators, legal representatives and assigns of the Grantee and all privileges, as well as all obligations and liabilities of the Grantee shall inure to its heirs, successors and assigns equally as if they were specifically mentioned wherever the Grantee is named herein.

Section 25. Severability. If any section, sentence, clause or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this franchise Ordinance. In the event that any of the provisions of this franchise are held to be invalid by a court of competent jurisdiction, the City reserves the right to reconsider the grant of this franchise and may amend, repeal, add, replace or modify any other provision of this franchise, or may terminate this franchise.

Section 26. Assignment. This agreement may not be assigned or transferred without the written approval of the City, except the Grantee may freely assign this Agreement in whole or in part to a parent, subsidiary, or affiliated corporation or as part of any corporate financing, reorganization or refinancing and provided that the City's approval shall not be unreasonably withheld. In the case of transfer or assignment as security by mortgage or other security instrument in whole or in part to secure indebtedness, such consent shall not be required unless and until the secured party elects to realize upon the collateral. The Grantee shall provide prompt, written notice to the City of any such assignment.

Section 27. Notice. Any notice or information required or permitted to be given to the parties under this franchise agreement may be sent to the following addresses unless otherwise specified:

City of University Place
3715 Bridgeport Way W.
University Place, WA 98466

City of Tacoma
Department of Public Utilities, Light Division
3628 South 35th St.
Tacoma, WA 98409
Attn: Light Superintendent

Section 28. Effective Date. This Ordinance has first been submitted to the University Place City Attorney; granted an approving vote of at least a majority of the City Council at a regular meeting after initial introduction on September 2, 1997 and been published at least once in a newspaper of general circulation in the City of University Place. This franchise ordinance shall be effective thirty (30) days after execution and pursuant to RCW 80.32.040 is subject to referendum under the general laws of this state.

ADOPTED by the City Council this 15th day of September, 1997.

CITY OF UNIVERSITY PLACE

Linda Bird, Mayor

Attest:

Susan Matthew, City Clerk

Approved as to Form:

Timothy X. Sullivan, City Attorney

Published: September 17, 1997

Effective: October 15, 1997

Council Minutes

Regular Council Meeting Minutes-19970915-2026

OrdinanceID

Ordinance :165-19000613-165

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Last modified at 7/18/2017 3:57 PM by Emelita Genetia



RESOLUTION NO. U-10947

A RESOLUTION related to Tacoma Water authorizing acceptance of a 20-year franchise extension granted by the City of University Place.

WHEREAS the City of Tacoma, Department of Public Utilities Water Division (d.b.a. "Tacoma Water"), recommends approval of a 20-year franchise extension with the City of University Place ("UP"), and

WHEREAS the franchise covers all of UP and includes desirable terms related to project coordination but does not include permit, franchise, or processing fees, and

WHEREAS the administrative fee remains unchanged, and

WHEREAS, on July 17, 2017, the City Council of the City of University Place passed the terms of the franchise by Ordinance No. 691, and now requires acceptance by Tacoma Water to become a binding agreement, Now, Therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the franchise extension granted to Tacoma Water by the Council of the City of University Place, pursuant to Ordinance No. 691, is hereby approved, and the Water Superintendent is authorized to execute such documents as necessary to accept such extension.

Approved as to form and legality:

Chair

Chief Deputy City Attorney

Secretary

Clerk

Adopted

of August 9, 2017

REQUEST FOR RESOLUTION

Date: July 19, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Authorization for Tacoma Water to accept franchise extension granted by the City of University Place

2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

The City of University Place has granted to Tacoma Water a 20-year franchise extension to allow continued operation within its jurisdiction. We requested an extension because current franchise terms have served us well and will continue to in the future. The franchise includes desirable project coordination terms and does not include permit fees, franchise fees, or processing fees. The franchise administrative fee is unchanged with this extension.

3. Summarized reason for resolution:

It is necessary for Tacoma Water to obtain a franchise from the City of University Place in order to continue to operate within University Place boundaries. The attached 20-year franchise extension (ordinance) was passed by the City Council of the City of University Place and requires acceptance by Tacoma Water to become an agreement.

4. Attachments:

- a. Franchise extension granted to Tacoma Water by the City of University Place (University Place Ordinance 691)
- b. University Place Franchise (University Place Ordinance 166)
- c. Memo to William A. Gaines, Director of Utilities/CEO from Heather L. Pennington, Acting Water Superintendent, dated July 19, 2017

5. ☒ Funds available ☐ Proposed action has no budgetary impact

6. Deviations requiring special waivers:

Originated by:



Section Head

Requested by:



Division Head

Approved:




Director of Utilities



Date: July 19, 2017

To: William A. Gaines, Director of Utilities/CEO

From: Heather L. Pennington, Acting Water Superintendent 

Subject: Authorization to Accept Franchise Extension Granted by the City of University Place to Tacoma Water

RECOMMENDATION

Tacoma Water requested and University Place has granted a 20-year extension of our franchise to operate within its jurisdiction. Tacoma Water recommends that the Public Utility Board authorize acceptance of this franchise extension.

BACKGROUND

Tacoma Water's franchise with University Place is coming to the end of its 20-year term. The franchise has served us well and we believe it will continue to in the future.

Favorable terms include:

- Strong utility coordination provisions
- No permit fees
- No processing fees
- No franchise fees

The franchise administrative fee is unchanged with this extension.

We believe the extension is practical, efficient and reflective of a good working relationship with the City of University Place. This franchise extension will result in ongoing coordination and ability to serve our customers within University Place.

SUMMARY

It is necessary for Tacoma Water to obtain a franchise from the City of University Place in order to continue to operate within University Place boundaries. This franchise extension was passed by the City Council of the City of University Place and requires acceptance by Tacoma Water to become an agreement.

FUNDING

Funds for the franchise administrative fee are collected through water rates and are available in Tacoma Water's budget.

Your approval is requested to submit this franchise to the Public Utility Board for consideration in authorizing acceptance.

APPROVED:



William A. Gaines
Director of Utilities/CEO

ORDINANCE NO. 691

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, GRANTING A TWENTY-YEAR EXTENSION OF ORDINANCE NO. 166, THE CITY'S NONEXCLUSIVE FRANCHISE TO THE CITY OF TACOMA DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION

WHEREAS, on September 15, 1997, the City Council passed Ordinance No. 166, which authorized City of Tacoma Department of Public Utilities, Water Division (TPU-Water), to construct, operate and maintain facilities in, upon, over, under, along, across and through the franchise area of the City of University Place for a twenty-year period; and

WHEREAS, TPU-Water's franchise will expire on September 22, 2017; and

WHEREAS, TPU-Water has requested a twenty-year extension of the Franchise Agreement; and

WHEREAS, it would be in the residents' best interest to extend TPU-Water's franchise for a period of twenty (20) years;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE DOES ORDAIN AS FOLLOWS:

Section 1. Extension Granted. The Franchise Agreement with City of Tacoma Department of Public Utilities, Water Division, approved by Ordinance No. 166, is hereby extended for twenty (20) years from the effective date of this Ordinance.

Section 2. Full force and Effect. With the exception of the extension of the term set forth in Section 1 of the Franchise Agreement with City of Tacoma Department of Public Utilities, Water Division, all other terms, conditions, rights and responsibilities contained in said Agreement remain in full force and effect.

Section 3. Severability. If any one or more sections, subsections or sentences of this ordinance are held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this ordinance and the same shall remain in full force and effect.

Section 4. Effective date. This Ordinance shall take effect five days after publication.

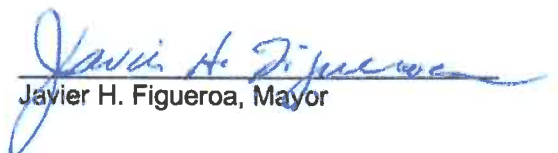
PASSED BY THE CITY COUNCIL ON JULY 17, 2017.

ATTEST:


Emelita Genetia, City Clerk

APPROVED AS TO FORM:


Matthew S. Kaser, City Attorney


Javier H. Figueroa, Mayor

Published: 07/19/17
Effective Date: 07/24/17

ORDINANCE NO. 166

AN ORDINANCE OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, GRANTING UNTO THE CITY OF TACOMA DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION, A MUNICIPAL CORPORATION, ITS SUCCESSORS AND ASSIGNS, THE RIGHT, PRIVILEGE, AUTHORITY AND NONEXCLUSIVE FRANCHISE FOR TWENTY YEARS, TO CONSTRUCT, MAINTAIN, OPERATE, REPLACE AND REPAIR A WATER SYSTEM, IN, ACROSS, OVER, ALONG, UNDER, THROUGH AND BELOW CERTAIN DESIGNATED PUBLIC RIGHTS-OF-WAY OF THE CITY OF UNIVERSITY PLACE, WASHINGTON.

I, Susan Matthew, City Clerk of the City of University Place, Washington, do hereby certify that this is a true and correct copy.
<i>Ordinance No. 166</i>
approved by the City Council at its meeting
<i>September 15, 1997</i>
Dated this <i>15th</i> day of <i>September</i>
<i>Susan Matthew</i> Susan Matthew, City Clerk

WHEREAS, the City of Tacoma Department of Public Utilities, Water Division has requested that the City Council grant it a nonexclusive franchise; and

WHEREAS, the City Council has the authority to grant franchises for the use of its streets and other public properties (RCW 35A.47.040); NOW, THEREFORE,

THE CITY COUNCIL OF CITY OF UNIVERSITY PLACE, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Franchise Granted. Pursuant to RCW 35A.47.040, the City of University Place, a Washington municipal corporation (hereinafter the "City"), hereby grants to City of Tacoma, Department of Public Utilities, Water Division, a municipal corporation organized under the laws of the State of Washington (hereinafter "Grantee"), its heirs, successors, legal representatives and assigns, subject to the terms and conditions hereinafter set forth, a franchise for a period of 20 years, beginning on the effective date of this ordinance.

Grantee and City may agree to extend the term of this franchise on substantially the same terms and conditions as set forth herein for up to two extensions of five years per extension.

This franchise grants the Grantee the right, privilege and authority to construct, operate, maintain, replace, and use all necessary equipment and facilities for a water system, in, under, on, across, over, through, along or below the public rights-of-way and public places located in the City of University Place, as approved under City permits issued pursuant to this franchise.

Section 2. Non-Exclusive Franchise Grant. This franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in, along, over, through, under, below or across any of said rights-of-way, streets, avenues or all other public lands and properties of every type and description. Such franchise shall in no way prevent or prohibit the City from using any of said roads, streets or other public properties or affect its jurisdiction over them or any part of them, and the City shall retain power to make all necessary changes, relocations, repairs, maintenance, establishment, improvement, dedication of same as the City may deem fit, including the dedication, establishment, maintenance, and improvement of all new rights-of-way, thoroughfares and other public properties of every type and description. It is provided, however, the City agrees not to compete with Grantee as a water system or provider of water in the current service area of the Grantee during the period of this Franchise.

Section 3. Relocation of Water Facilities. The Grantee agrees and covenants at its sole cost and expense, to protect, support, temporarily disconnect, relocate or remove from any street, any component of its installations when so required by the City by reason of traffic conditions or public safety, dedications of new rights-of-way and the establishment and improvement thereof, widening and improvement of existing rights-of-way, street vacations, freeway construction,

change or establishment of street grade, or the construction of any public improvement or structure by the City, provided that the Grantee shall in all such cases have the privilege to temporarily bypass, in the authorized portion of the same street upon approval by the City, any section of water line or facility required to be temporarily disconnected or removed. The provisions of this section shall not be applicable if the relocation need results from a private development, use or activity.

If the City determines that the project necessitates the relocation of the Grantee's then existing facilities, the City shall:

- A. At least ninety (90) days prior to commencement of construction of such improvement project, provide the Grantee with written notice and plans requiring such relocation, unless another time period for the notice is agreed to by the parties for a particular project; and
- B. Provide the Grantee with copies of pertinent portions of the plans and specifications for such improvement project and a proposed location for the Grantee's facilities so that the Grantee may relocate its facilities in other City rights-of-way in order to accommodate such improvement project.

After receipt of such notice and such plans and specifications, the Grantee shall complete relocation of its facilities at no charge or expense to the City (except as hereinafter provided) so as to accommodate the improvement project construction schedule.

The Grantee may, after receipt of written notice requesting a relocation of its facilities, submit to the City written alternatives to such relocation. The City shall evaluate such

alternatives and advise the Grantee in writing if one or more of the alternatives is suitable to accommodate the work which would otherwise necessitate relocation of the facilities. If so requested by the City, the Grantee shall submit additional information to assist the City in making such evaluation. The City shall give each alternative proposed by the Grantee full and fair consideration. In the event the City ultimately determines that there is no other reasonable alternative, the Grantee shall relocate its facilities as otherwise provided in this Section. Provided, however, the parties agree to exercise good faith, reasonable and timely decision making especially when issues arise in the field pertaining to relocations. The provisions of this Section shall survive the expiration or termination of this franchise agreement.

The provisions of this Section shall in no manner preclude or restrict the Grantee from making any arrangements it may deem appropriate when responding to a request for relocation of its facilities by any person or entity other than the City, where the facilities to be constructed by said person or entity are not or will not become City-owned, operated or maintained facilities, provided that such arrangements do not unduly delay a City construction project. The City on occasion will be constructing, reconstructing and/or relocating roads, streets, public ways, areas or facilities within the right-of-way or property which will require Grantee to install and/or relocate part of its water system. Grantee will be relying on the alignment, lines and grades as set forth in City's approval plans wherein Grantee thereafter constructs or reconstructs its water system in accordance with City's requirements and City standards. Therefore, if City thereafter again adjusts and/or revises the alignment, line or grade for a road, street, public way or area, before this part of the Grantee's water system has been in place for fifteen (15) years

(commencing with the initial City revision), then City agrees to reimburse Grantee a pro rata share of the total relocation costs based on fifteen (15) year life expectancy for the portion of Grantee's water system that is affected by the City revision unless differently agreed to in writing by City and Grantee at the time of the installation or relocation.

Section 4. Consideration For Agreement. (a) The consideration for this agreement includes, but is not limited to, the mutual and individual benefits of this agreement that allow each of the parties the ability to make long term planning decisions in light of the provisions set forth herein, the waiver of permit fees after the first three years of this agreement, as provided in Section 10 of this agreement, the non-competition provisions as provided in Section 16 of this agreement.

(b) If the City grants to any other water provider a franchise with terms that are over-all more favorable than those set forth herein, Grantee shall have the right to renegotiate the provisions of this franchise that Grantee believes are over-all more favorable than those set forth herein. Grantee shall also have the right to renegotiate the provisions of this franchise that are affected by a substantial change in state or federal law that would allow the City the opportunity to tax and assess additional revenue from the Grantee's operations within the corporate boundaries of the City.

In the case where the parties do not agree on the renegotiation or identification of affected provisions of this franchise, the parties agree to a binding arbitration process as follows: Each of the parties shall select an arbitrator, and the two arbitrators shall select a third arbitrator. If the two arbitrators are unable to select a third arbitrator, the third arbitrator shall be selected by the

Presiding Judge of the Pierce County Superior Court. In accordance with the procedures of Chapter 7.04 of the Revised Code of Washington, the panel of three arbitrators shall review the evidence and authorities presented by the parties and hear the argument of the parties, and thereafter decide the issue(s) presented for arbitration. The arbitrators shall be authorized to require each party to provide to the other reasonable discovery. The arbitrators shall render their decision based upon their interpretation of the provisions of this franchise agreement. The arbitrators are not empowered to modify or amend the text of this franchise agreement. The parties agree to be bound by the decisions of the panel of arbitrators as to the identification of affected provisions of this franchise and/or the re-negotiation thereof.

If there is a substantial change in the law that undermines the ability of one or both of the parties to receive the benefits of this agreement, one or both of the parties may re-open this agreement to address the terms affected by the substantial change in the law.

Section 5. The Grantee's Maps, Records and Plans. After construction is complete, and at a reasonable time thereafter, the Grantee shall provide to the City upon request and at no cost, a copy of all as-built plans, maps and records.

Section 6. Excavations. During any period of relocation, construction or maintenance, all surface structures, if any, shall be erected and used in such places and positions within said public rights-of-way and other public properties so as to interfere as little as practicable with the free passage of traffic and the free use of adjoining property, and the Grantee shall at all times post and maintain proper barricades and comply with all applicable safety regulations during such period of construction as required by the ordinances of the City or the laws of the State of

Washington.

Whenever the Grantee shall excavate in any public right-of-way or other public property for the purpose of installation, construction, repair, maintenance or relocation of its facilities, it shall apply to the City for a permit to do so and upon obtaining a permit shall give the City at least twenty-four (24) hours notice during the normal work week of the Grantee's intent to commence work in the public right-of-way. In no case shall any work commence within any public right-of-way or other public property without a permit, except as otherwise provided in this franchise ordinance. During the progress of the work, the Grantee shall not unnecessarily obstruct the passage or proper use of the right-of-way, and shall file as-built plans or maps with the City showing the proposed and final location of its facilities.

If either the City or the Grantee shall at any time plan to make excavations in any area covered by this franchise and as described in this Section, the party planning such excavation shall afford the other, upon receipt of a written request to do so, an opportunity to share such excavation, PROVIDED THAT:

- A. Such joint use shall not unreasonably delay the work of the party causing the excavation to be made;
- B. Such joint use shall be arranged and accomplished on terms and conditions satisfactory to both parties; and
- C. Either party may deny such request for safety reasons. The provisions of this Section shall survive the expiration or termination of this franchise agreement.

Section 7. Restoration after Construction. The Grantee shall, after abandonment approved under Section 13 herein, or installation, construction, relocation, maintenance, or repair of water facilities within the franchise area, restore the surface of the right-of-way or public property to at least the same condition the property was in immediately prior to any such installation, construction, relocation, maintenance or repair. The Public Works Director shall have final approval of the condition of such streets and public places after restoration. All concrete encased monuments which have been disturbed or displaced by such work shall be restored pursuant to all federal, state and local standards and specifications. The Grantee agrees to promptly complete all restoration work and to promptly repair any damage caused by such work to the franchise area or other affected area at its sole cost and expense. The provisions of this Section shall survive the expiration, revocation or termination by other means of this franchise.

Section 8. Emergency Work -- Permit Waiver. In the event of any emergency in which any of the Grantee's facilities located in or under any street, breaks, are damaged, or if the Grantee's construction area is otherwise in such a condition as to immediately endanger the property, life, health or safety of any individual, the Grantee shall immediately take the proper emergency measures to repair its facilities, to cure or remedy the dangerous conditions for the protection of property, life, health or safety of individuals without first applying for and obtaining a permit as required by this franchise. However, this shall not relieve the Grantee from the requirement of obtaining any permits necessary for this purpose, and the Grantee shall apply for all such permits not later than the next succeeding day during which City Hall is open for

business.

Section 9. Dangerous Conditions, Authority for City to Abate. Whenever construction, installation or excavation of facilities authorized by this franchise has caused or contributed to a condition that appears to substantially impair the lateral support of the adjoining street or public place, or endangers the public, an adjoining public place, street utilities or City property, the Public Works Director may direct the Grantee, at the Grantee's own expense, to take actions to protect the public, adjacent public places, City property or street utilities; and such action may include compliance within a prescribed time.

In the event that the Grantee fails or refuses to promptly take the actions directed by the City, or fails to fully comply with such directions, or if emergency conditions exist which require immediate action, the City may enter upon the property and take such actions as are necessary to protect the public, the adjacent streets, or street utilities, or to maintain the lateral support thereof, or actions regarded as necessary safety precautions; and the Grantee shall be liable to the City for the costs thereof. The provisions of this Section shall survive the expiration, revocation or termination of this franchise. Grantee shall relocate, at its cost, any structures that the City Engineer objectively determines are located in a place or in a way so as to constitute a danger to the public.

Section 10. Permits and Fees.

Grantee shall be required to obtain all permits from the City necessary for work in the City and/or in the City's rights-of-way. During the first three years of this franchise, Grantee and contractors of Grantee shall pay for all permit fees associated with projects of Grantee located

within the corporate limits of the City, pursuant to the applicable City fee schedules, Provided, however, that permit fees shall be based on actual costs to the City. Thereafter, in consideration of this agreement, including the factors set forth in Section 4, and the non-competition agreement provided in Section 16 hereof, Grantee shall not further be subject to any permit fees associated with Grantee's activities (except those undertaken for a private development customer) through the authority granted in this franchise ordinance or under the laws of the City.

In addition to the above, the Grantee shall promptly reimburse the City for any and all costs the City reasonably incurs in response to any emergency caused by the negligence of the Grantee. City agrees to process Grantee's and Grantee's contractors permits in the same expeditious manner as other permit applicants' permits are processed. Permits may be processed by facsimile or electronic mail.

Section 11. Indemnification. The Grantee hereby releases, covenants not to bring suit and agrees to indemnify, defend and hold harmless the City, its officers, employees, agents and representatives from any and all claims, costs, judgments, awards or liability to any person, including claims by the Grantee's own employees to which the Grantee might otherwise be immune under Title 51 RCW, arising from injury or death of any person or damage to property, monetary losses, including refunds of charges or fees paid by customers, of which it is alleged or proven that the acts or omissions of the Grantee, its agents, servants, officers or employees in performing this franchise caused or contributed thereto, including claims arising against the City by virtue of the City's ownership or control of the rights-of-way or other public properties, by virtue of the Grantee's exercise of the rights granted herein, including payment of any monies to

the City, or by virtue of the City's permitting the Grantee's use of the City's rights-of-way or other public property, based upon the City's inspection or lack of inspection of work performed by the Grantee, its agents and servants, officers or employees in connection with work authorized on the City's property or property over which the City has control, pursuant to this franchise or pursuant to any other permit or approval issued in connection with this franchise.

Inspection or acceptance by the City of any work performed by the Grantee at the time of completion of construction shall not be grounds for avoidance of any of these covenants of indemnification. Said indemnification obligations shall extend to claims which are not reduced to a suit and any claims which may be compromised prior to the culmination of any litigation or the institution of any litigation.

In the event that the Grantee refuses the tender of defense in any suit or any claim, said tender having been made pursuant to the indemnification clauses contained herein, and said refusal is subsequently determined by a court having jurisdiction (or such other tribunal that the parties shall agree to decide the matter), to have been a wrongful refusal on the part of the Grantee, then the Grantee shall pay all of the City's costs for defense of the action, including all reasonable expert witness fees and reasonable attorneys' fees and the reasonable costs of the City, including reasonable attorneys' fees of recovering under this indemnification clause.

In the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Grantee and the City, its officers, employees and agents, the Grantee's liability hereunder shall be only to the extent of the Grantee's negligence unless otherwise provided by law. It is further specifically and expressly

understood that the indemnification provided herein constitutes the Grantee's waiver of immunity under Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties.

The provisions of this Section shall survive the expiration or termination of this franchise agreement.

Section 12. Insurance. Grantee is currently self insured and has excess insurance coverage for potential liability in excess of its self insured retention amounts. To the extent that Grantee is legally obligated by this franchise, Grantee's self insurance fund and/or insurance policies shall provide adequate protection to City in amounts equivalent to the levels set forth herein below. Grantee's general comprehensive liability policy which includes automobile liability coverage (if such a policy continues to be obtained), shall have an endorsement naming City and its officers and employees as additional insureds for their actions pursuant to this franchise.

The amounts of insurance coverage that the grantee shall maintain, whether by self insurance or insurance policies shall not be the equivalent of less than the following:

A. Automobile Liability insurance with limits no less than \$1,000,000 Combined Single Limit per accident for bodily injury and property damage; and

B. Commercial General Liability insurance, written on an occurrence basis with limits no less than \$1,000,000 combined single limit per occurrence and \$2,000,000 aggregate for personal injury, bodily injury and property damage. Coverage shall include but not be limited to: blanket contractual; products/completed operations; broad form property damage; explosion,

collapse and underground (XCU); and employer's liability.

Any deductibles or self-insured retentions must be declared to and approved by the City. Payment of deductible or self-insured retention shall be the sole responsibility of the Grantee.

Any insurance policy(ies) obtained by the Grantee to comply herewith shall name the City (its officers, employees and volunteers,) as an additional insured with regard to activities performed by or on behalf of the Grantee. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees or volunteers. In addition, the insurance policy shall contain a clause stating that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. The Grantee's insurance shall be primary insurance with respect to the City, its officers, officials, employees and volunteers. Any insurance policy or policies obtained by the Grantee to comply with this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

Any failure to comply with the insurance reporting provisions of the policies required herein shall not affect coverage provided to the City, its officers, officials, employees or volunteers.

Section 13. Abandonment of the Grantee's Facilities. No water line larger than 12 inches or significant facility installed by the Grantee under street pavement may be abandoned by the Grantee without the express written consent of the City. Any proposal for abandonment that

requires City consent or removal of the Grantee's facilities subject to this section must be first approved by the Public Works Director, and all necessary permits must be obtained prior to such work. If any abandoned facility conflicts with City projects (i.e., storm sewer improvements or lowering the profile of a road), the Grantee will remove the abandoned facility at its own expense. The provisions of this Section shall survive the expiration, revocation or termination of this franchise agreement.

Section 14. Street Vacations. City may have occasion to vacate certain streets, public ways or areas that have Grantee's lines and facilities located thereon. City agrees to exert reasonable good faith efforts to reserve an easement for Grantee's lines and facilities when a street, public way or area is vacated. If it is not feasible for City to reserve an easement for Grantee's line(s) and facilities, the proponents of the vacation shall be required (by the City) as part of land use or other permitting approvals, to reimburse Grantee all costs to relocate said line(s) and facilities.

Section 15. Modification. The City and the Grantee hereby reserve the right to alter, amend or modify the terms and conditions of this franchise upon written agreement of both parties to such alteration, amendment or modification.

Section 16. Exercise of City Authority. The parties acknowledge that the City has authority to operate its own water system and also has authority to contract with other public or private entities for the purchase of water. Grantee's long range planning would be improved, and its rate structure stabilized if the City did not elect to exercise its authority in the service area of the Grantee. Therefore, Grantee agrees that for and in consideration of the City not exercising its

authority to operate its own water system in the service area served by Grantee, or not contracting with other public or private entities for the purchase of water in said service area, and the other factors of consideration set forth in Section 4 of this agreement, Grantee shall pay to the City an annual fee in the amount of \$75,000 for 1998; in the amount of \$125,000 for 1999; in the amount of \$150,000 for 2000; and in the amount of \$200,000 for 2001 and each year thereafter, provided that the amount thereof shall be adjusted annually thereafter by an amount equal to the percentage of the difference in the Grantee's annual gross revenues derived from the franchise area as indicated in the two most recent financial reports, and further provided that the total payment to the City shall not exceed eight percent (8%) of the total gross revenues Grantee receives from Grantee's water system customers served from Grantee's water system located within City's street rights-of-way. Gross revenues means money or funds received by reason of transaction of water utility service business including sales of water to customers. Gross revenue does not include: (a) uncollected amounts; (b) amounts received from condemnation award or condemnation settlements; (c) amounts received as compensation or reimbursement of damages to or protection of any property of Grantee; (d) amounts received as compensation for or in aid to construction; (e) amounts collected as sales tax; (f) discounts, returns, allowances and repossessions; and (g) amounts received from surcharge to water rates for system improvements necessary to meet Grantee's standards.

The payments to the City shall be made quarterly, in four equal payments each year, on or before March 31, June 30, September 30, and December 31 each year during the term hereof. It is provided, however, that absent any Federal, State or other governmental laws or regulations to

the contrary, such payments made by the Grantee to the City shall not result in a surcharge to the customers in the City of University Place. It is further provided that nothing herein shall be deemed to impair the authority of the City to exercise its governmental powers.

Section 17. Forfeiture and Revocation. If the Grantee willfully violates or fails to comply with any of the provisions of this franchise, or through willful misconduct or gross negligence fails to heed or comply with any notice given the Grantee by the City under the provisions of this franchise, then the Grantee shall, at the election of the University Place City Council, forfeit all rights conferred hereunder and this franchise may be revoked or annulled by the Council after a hearing held upon reasonable notice to the Grantee. The City may elect, in lieu of the above and without any prejudice to any of its other legal rights and remedies, to obtain an order from the superior court having jurisdiction compelling the Grantee to comply with the provisions of this Ordinance and to recover damages and costs incurred by the City by reason of the Grantee's failure to comply.

Section 18. Remedies to Enforce Compliance. In addition to any other remedy provided herein, the City reserves the right to pursue any remedy to compel or force the Grantee and/or its successors and assigns to comply with the terms hereof, and the pursuit of any right or remedy by the City shall not prevent the City from thereafter declaring a forfeiture or revocation for breach of the conditions herein.

Section 19. City Ordinances and Regulations. Nothing herein shall be deemed to direct or restrict the City's ability to adopt and enforce all necessary and appropriate ordinances regulating the performance of the conditions of this franchise, including any valid ordinance

made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to control by appropriate regulations the location, elevation, manner of construction and maintenance of any facilities by the Grantee, and the Grantee shall promptly conform with all such regulations, unless compliance would cause the Grantee to violate other requirements of law.

Section 20. Cost of Publication. The cost of the publication of this Ordinance shall be borne by the Grantee.

Section 21. Acceptance. Within sixty days after the passage and approval of this Ordinance, this franchise may be accepted by the Grantee by its filing with the City Clerk an unconditional written acceptance thereof. Failure of the Grantee to so accept this franchise within said period of time shall be deemed a rejection thereof by the Grantee, and the rights and privileges herein granted shall, after the expiration of the sixty day period, absolutely cease and determine, unless the time period is extended by ordinance duly passed for that purpose.

Section 22. Survival. All of the provisions, conditions and requirements of Sections 3, Relocation of Water Facilities; 9, Dangerous Conditions; 11, Indemnification; and 13, Abandonment of the Grantee's Facilities, of this franchise shall be in addition to any and all other obligations and liabilities the Grantee may have to the City at common law, by statute, or by contract, and shall survive the City's franchise to the Grantee for the use of the areas mentioned in Section 1 herein, and any renewals or extensions thereof (however, such survival period extends only through the applicable statute of limitations period). All of the provisions, conditions, regulations and requirements contained in this franchise Ordinance shall further be

binding upon the heirs, successors, executors, administrators, legal representatives and assigns of the Grantee and all privileges, as well as all obligations and liabilities of the Grantee shall inure to its heirs, successors and assigns equally as if they were specifically mentioned wherever the Grantee is named herein.

Section 23. Severability. If any section, sentence, clause or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this franchise Ordinance. In the event that any of the provisions of this franchise are held to be invalid by a court of competent jurisdiction, the City reserves the right to reconsider the grant of this franchise and may amend, repeal, add, replace or modify any other provision of this franchise, or may terminate this franchise.

Section 24. Assignment. This agreement may not be assigned or transferred without the written approval of the City, except the Grantee may freely assign this Agreement in whole or in part to a parent, subsidiary, or affiliated corporation or as part of any corporate financing, reorganization or refinancing and provided that the City's approval shall not be unreasonably withheld. In the case of transfer or assignment as security by mortgage or other security instrument in whole or in part to secure indebtedness, such consent shall not be required unless and until the secured party elects to realize upon the collateral. The Grantee shall provide prompt, written notice to the City of any such assignment.

Section 25. Notice. Any notice or information required or permitted to be given to the parties under this franchise agreement may be sent to the following addresses unless otherwise

specified:

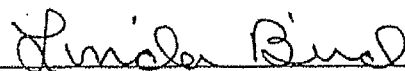
City of University Place
Windmill Village
3715 Bridgeport Way West, Suite B
University Place, WA 98466

City of Tacoma
Department of Public Utilities
Water Division
3628 South 35th Street
Tacoma, WA 98409
Attention: Water Superintendent

Section 26. **Effective Date.** This Ordinance has first been submitted to the University Place City Attorney; granted an approving vote of at least a majority of the City Council at a regular meeting after initial introduction on September 2, 1997, and a summary of the ordinance has been published at least once in a newspaper of general circulation in the City of University Place. This franchise ordinance shall be effective five (5) days after passage and publication as provided for by law.

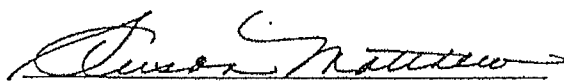
ADOPTED by the City Council this 15th day of September, 1997.

CITY OF UNIVERSITY PLACE




Linda Bird, Mayor

Attest:



Susan Matthew, City Clerk

Approved as to Form:



Timothy X. Sullivan, City Attorney

Published: September 17, 1997

Effective: September 22, 1997



RESOLUTION NO. U-10948

1
2 A RESOLUTION related to Tacoma Water; authorizing a negotiated sale
3 of surplus real property to Jeff A. and Mary J. Norton.

4 WHEREAS the City of Tacoma, Department of Public Utilities, Water
5 Division (d.b.a. "Tacoma Water"), in 2002, surplussed approximately 0.30 acres
6 (13,000 SF) of property located at the southwest corner of 51st Street NE and
7 Caledonia Road NE, in unincorporated Pierce County, Washington ("Property")
8 and

9 WHEREAS, in July 2008, the property was offered for sale via a sealed
10 bid process. At that time, the Public Utility Board declined to sell the property
11 due to market conditions. Another sealed bid process was conducted in March
12 2015, and no bids were received. The property has been continuously listed on
13 the City's surplus website and was listed with a real estate broker in January
14 2017, for \$160,000, based on a third-party appraisal, and

15
16 WHEREAS Tacoma Water has negotiated an offer to sell the property to
17 Jeff A. and Mary J. Norton, reserving an easement in the north 10 feet of the
18 property, pending Public Utility Board and City Council approval, and

19
20 WHEREAS the sale proceeds will be used to offset the historical costs
21 incurred to replace and upgrade the infrastructure included in the 2001
22 purchase of the property from the Hyada Mutual Service Company; Now,
23 Therefore,

24 BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

25 Sec. 1. That the negotiated sale of approximately 0.30 acres (13,000 SF)
26 of property, located at the southwest corner of 51st Street NE and Caledonia



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Road NE, in unincorporated Pierce County, Washington, as more fully described in the documents on file with the Clerk of the Board, to Jeff A. and Mary J. Norton, in exchange for payment of \$160,000, and reserving an easement in the north 10 feet of the property, is hereby approved.

Sec 2. That the City Council is requested to hold a public hearing on this matter, and thereafter approve this recommended negotiated sale and authorize the Water Superintendent to execute all documents necessary to perfect the sale, substantially in the same form as on file with the Clerk of the Board and approved by the City Attorney.

Approved as to form and legality:

Chair



Chief Deputy City Attorney

Secretary

Clerk

Adopted _____

of August 9, 2017

REQUEST FOR RESOLUTION

Date: July 26, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Authorize the sale of approximately 0.30 acres of Tacoma Water property to Jeff A. and Mary J. Norton for \$160,000.

2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

Authorize the sale of approximately 0.30 acres (13,000 SF) of Tacoma Water property, located at the southwest corner of 51st Street NE and Caledonia Road NE, in unincorporated Pierce County to Jeff A. and Mary J. Norton for \$160,000. An easement for Tacoma Water will be retained in the north 10 feet of the property.

3. Summarized reason for resolution:

This former well site was part of Tacoma Water's 2001 acquisition of the Hyada Mutual Service Company. The well was decommissioned soon after purchase and the site has remained vacant since that time. The property is zoned Single Family residential, as part of the Browns Point/Dash Point Community Plan by Pierce County. As the property was not essential to Tacoma Water's needs, it was declared surplus in 2002. In July 2008 the property was offered for sale via a sealed bid process. At that time the Public Utility Board declined to sell the property due to market conditions. Another sealed bid process was conducted in March 2015 and no bids were received. The property has been continuously listed on the City's surplus website and was listed with a real estate broker in January 2017, for \$160,000. The listing price was based on a third-party appraisal.

Tacoma Water has accepted an offer from Mr. and Mrs. Norton for \$160,000. The Nortons intend to develop and occupy a single family residence on the property. The offer is subject to both Public Utility Board and City Council approval. The sale proceeds will be used to offset the historical costs incurred to replace and upgrade the infrastructure included in the 2001 acquisition.

The terms and conditions of the purchase and sale agreement have been approved by Tacoma Water and Real Property Services and reviewed by the City's Legal Department.

4. Attachments:

- a. Director's Memo
- b. Aerial Photo
- c. Purchase and Sale Agreement
- d. CAM Request to set Public Hearing

5. ☐ Funds available ☒ Proposed action has no budgetary impact

6. Deviations requiring special waivers:

Originated by:


Greg Volkhardt, Environmental Programs
Manager

Requested by:


Acting Water Superintendent

Approved:


William A. Gaines, Director / CEO



TO: Mayor and City Council
FROM: William A. Gaines, Director of Utilities/CEO
COPY: Elizabeth Pauli, City Manager, and City Clerk
SUBJECT: Resolution – Set Public Hearing – August 15, 2017
DATE: July 26, 2017

SUMMARY:

To set Tuesday, August 29, 2017, as the date for a Public Hearing regarding the sale of approximately 0.30 acres (or approximately 13,000 SF) of Tacoma Water property for \$160,000.

STRATEGIC POLICY PRIORITY:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Assure outstanding stewardship of the natural and built environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

This request supports the above policy priorities by returning the property to the tax rolls, allowing economic development and operation of the property, and offering the opportunity for public input on this real estate transaction.

BACKGROUND:

This former well site was part of Tacoma Water's 2001 acquisition of the Hyada Mutual Service Company. The well was decommissioned soon after purchase and the site has remained vacant since that time. The property is zoned SF, Single Family residential, as part of the Browns Point/Dash Point Community Plan by Pierce County. As the property was not essential to Tacoma Water's needs, it was declared surplus in 2002. In July 2008 the property was offered for sale via a sealed bid process and the Public Utility Board declined to sell the property due to market conditions. Another sealed bid process was conducted in March 2015 and no bids were received. The property has been continuously listed on the City's surplus website and was listed with a real estate broker in January 2017 for the appraised value of \$160,000.

Tacoma Water has accepted an offer from Mr. and Mrs. Norton for \$160,000. The Nortons intend to develop and occupy a single family residence on the property. The offer is subject to both Public Utility Board and City Council approval. The sale proceeds will be used to offset the historical costs incurred to replace and upgrade the infrastructure included in the 2001 acquisition.

The terms and conditions of the purchase and sale agreement have been approved by Tacoma Water and Real Property Services and reviewed by the City's Legal Department.

**ALTERNATIVES:**

The alternatives to disposing of the property through the negotiated disposition process, as allowed under TMC 1.06.280f, are to either retain ownership or to dispose via a bid/sale process. Tacoma Water does not have a need for the property, and if it were to retain ownership there would be continued management and administrative costs. The negotiated disposition process was determined to be the most efficient disposition method, since the bid/sale process was not successful in two previous attempts for this property.

RECOMMENDATION:

Tacoma Water and Real Property Services recommend that the City Council set a Public Hearing in accordance with RCW 35.94.040, to be held August 29, 2017 to receive public comment regarding the proposed sale of approximately 0.30 acres of Tacoma Water real property located in unincorporated Pierce County, WA. Once the Public Hearing has been conducted, a separate request will be presented to the City Council for the approval of the sale and conveyance of the real property.

FISCAL IMPACT:**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Water Fund 4600 - GL1860030	N/A	N/A	Approximately \$150,000 (purchase price less transactional costs)
TOTAL			\$160,000

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$-0-


ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No; this revenue opportunity developed after the most recent budget approvals.

MEMORANDUM



Date: June 26, 2017

To: William A. Gaines, Director of Utilities/CEO

From: Chris McMeen, Acting Water Superintendent 

Subject: Disposition of Real Property – Hyada Well Site Property

Recommendation: Tacoma Water requests that you authorize the sale of its property identified as Pierce County Assessor Tax Parcel No. 0321163140, covering approximately 0.30 acres (or approximately 13,000 SF) located at the southwest corner of 51st Street NE and Caledonia Road NE in unincorporated Pierce County, to Jeff A. and Mary J. Norton for \$160,000. Tacoma Water will retain an easement in the north 10 feet of the property.

Background: This former well site was part of Tacoma Water's 2001 acquisition of the Hyada Mutual Service Company. The well was decommissioned soon after purchase and the site has remained vacant since that time. The property is zoned Single Family residential, as part of the Browns Point/Dash Point Community Plan by Pierce County. As the property was not essential to Tacoma Water's needs, it was declared surplus in 2002. In July 2008 the property was offered for sale via a sealed bid process and the Public Utility Board declined to sell the property due to market conditions. Another sealed bid process was conducted in March 2015 and no bids were received. The property has been continuously listed on the City's surplus website and was recently listed with a real estate broker for the appraised value of \$160,000.

Tacoma Water has accepted an offer from Mr. and Mrs. Norton for \$160,000. The Nortons intend to develop and occupy a single family residence on the property. The offer is subject to both Public Utility Board and City Council approval. The sale proceeds will be used to offset the historical costs incurred to replace and upgrade the infrastructure included in the 2001 acquisition.

Schedule: Upon approval from the Public Utility Board, Real Property Services will hold a Public Hearing and seek final approval of the transaction from the Tacoma City Council. If approved, the transaction will be completed by September 30, 2017.

Thank you for your consideration of this request.

Tacoma Water Surplus Property



- Approximately 0.30 Acres (or approximately 13,000 SF)
- Vacant tract @ southwest corner of 51st Street NE and Caledonia Road NE
 - As-is/ Where-is Condition of Sale
- Reserve Easement in North 10 Feet to Tacoma Water
 - Quit Claim Deed
- Estimated Value per appraisal - \$160,000

CITY OF TACOMA
DEPARTMENT OF PUBLIC UTILITIES
WATER DIVISION
REAL ESTATE PURCHASE AND SALE AGREEMENT
AGREEMENT NO. A3143

Reference No.: P2017-021

Seller: City of Tacoma, Department of Public Utilities,
Water Division, (d.b.a. Tacoma Water)

Buyer: Jeff A. and Mary J. Norton

Abbreviated

Legal Description: Portion SW¼, S16, T21N, R03E, W.M., Pierce Co., WA

County: Pierce

Tax Parcel No.: 0321163140

This REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Agreement") is entered into as of April 28, 2017 between the CITY OF TACOMA, DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION (d.b.a. Tacoma Water) a first class municipal corporation ("Seller") and Jeff A. and Mary J. Norton ("Buyer").

RECITALS

WHEREAS, Seller is the owner of certain real property more particularly described in Section 1 below.

WHEREAS, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer the real property on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

AGREEMENT

1. Real Property. Seller agrees to sell and convey to Buyer and Buyer agrees to purchase from Seller, subject to the terms and conditions set forth in this Agreement, the real property located at XXX Caledonia Rd NE 98422 in the County of Pierce and State of Washington, more particularly described as follows:

{See attached legal description Exhibit A}

Also known as Pierce County Tax Parcel Number 0321163140 (the "Property").

2. Deposit. Upon execution of the Agreement by both Seller and Buyer, Buyer shall deliver to WFG Title Insurance Company in Tacoma, Washington (the "Title Company"), as escrow agent for the closing of this transaction, an earnest money deposit in the amount of Two Thousand and Five Hundred U.S. Dollars (\$2,500.00) (the "Deposit") as part payment of the purchase price of the Property. The Deposit will be held by the Title Company for the benefit of the parties pursuant to the terms of this Agreement. Any interest that accrues on the Deposit will be for the benefit of Buyer; provided, however, that if Buyer forfeits the Deposit to Seller pursuant to the terms of this Agreement, then all interest accrued on the Deposit will be paid to Seller.

3. Purchase Price. The total purchase price for the Property (the "Purchase Price") will be One Hundred Sixty Thousand U.S. Dollars (\$160,000.00), to which the Deposit shall be a fully applicable part. The Purchase Price, including the Deposit, will be paid to Seller in cash through escrow at Closing.

4. Title to Property.

4.1 Conveyance. At closing Seller shall convey to Buyer fee simple title to the Property by duly executed and acknowledged quit claim deed (the "Deed"), subject only to those encumbrances that Buyer approves pursuant to Section 4.3 below (the "Permitted Encumbrances").

4.2 Preliminary Commitment. Upon execution of this Agreement, Seller authorizes Buyer to order a preliminary commitment for an owner's standard coverage policy of title insurance in the amount of the Purchase Price to be issued by the Title Company and accompanied by copies of all documents referred to in the commitment (the "Preliminary Commitment").

4.3 Condition of Title. Buyer shall advise Seller by written notice what encumbrances to title, if any, are disapproved by Buyer ("Disapproved Encumbrances") within 10 (ten) business days of receipt of the Preliminary Commitment. All monetary encumbrances other than non-delinquent ad valorem property taxes will be deemed to be disapproved. Seller will have ten (10) business days after receipt of Buyer's notice to give Buyer notice that (i) Seller will remove Disapproved Encumbrances, or (ii) Seller elects not to remove Disapproved Encumbrances. If Seller fails to give Buyer notice before the expiration of the ten (10) day period, Seller will be deemed to have elected not to remove Disapproved Encumbrances. Notwithstanding anything to the contrary in this Agreement, Seller shall remove from title on or before the Closing Date all monetary encumbrances other than those approved by Buyer. If Seller elects not to remove any Disapproved Encumbrances, Buyer will have fifteen (15) business days to notify Seller of Buyer's election either to proceed with the purchase and take the Property subject to those encumbrances, or to terminate this Agreement. If Buyer elects to terminate this Agreement pursuant to this section, the escrow will be terminated, the Deposit will be returned immediately to Buyer, all documents and other funds will be returned to the party who deposited them, and neither party will have any further rights or obligations under this Agreement, except as otherwise provided for in this Agreement. If this Agreement is terminated through no fault of Seller, then Seller and Buyer shall share equally any costs of terminating the escrow and any cancellation fee for the Preliminary Commitment.

4.4 Title Policy. Seller, at Seller's expense, shall cause the Title Company to issue to Buyer at closing a standard coverage owner's policy of title insurance insuring Buyer's title to the Property in the full amount of the Purchase Price subject only to the Permitted Encumbrances (the "Title Policy"). The Title Policy must be dated as of the Closing Date.

5. Conditions to Closing.

5.1 Tacoma Public Utility Board and Tacoma City Council Approval. This Agreement, and the transaction contemplated hereby, must be duly approved by the Tacoma Public Utility Board and the Tacoma City Council prior to closing. If said approvals are not obtained, this Agreement will terminate, and the Deposit, less any costs advanced or committed for Buyer as authorized herein, or other costs subsequently agreed to in writing, will be returned immediately to Buyer, all documents and other funds will be returned to the party who deposited them, and neither party will have any further rights or obligations under this Agreement, except as otherwise provided for in this Agreement. Nothing in this Paragraph 5.1 will obligate the Seller to obtain City Council approval beyond the ordinary course of City procedure.

- 5.2 Feasibility Study. Buyer will have until 45 Days from mutual acceptance of this Agreement as evidenced by the last date signed by Seller (the "Feasibility Study Period") to conduct a review of the Property and satisfy itself with respect to the condition of and other matters related to the Property and its suitability for Buyer's intended use (the "Feasibility Study"). The Feasibility Study may include all inspections and studies Buyer deems reasonably necessary or desirable. Buyer and Buyer's agents, representatives, consultants, architects and engineers will have the right, from time to time, from and after the date of this Agreement to enter onto the Property and make borings, drive test piles and conduct any other reasonable tests and studies that may be necessary or desirable to ascertain the condition and suitability of the Property for Buyer's intended use. Such tests and inspections are to be performed in a manner not disruptive to the operation of the Property. Buyer shall protect, defend and indemnify Seller from and against any construction or other liens or encumbrances arising out of or in connection with its exercise of this right of entry and shall cause any such liens or encumbrances to be promptly released.
- 5.3 Non-Suitability. Buyer will have the right to terminate this Agreement if, in Buyer's good faith judgment, the Property is not suitable for Buyer's intended use. Buyer's right to terminate must be exercised by delivering written notice of its election to Seller on or before the expiration of the Feasibility Study Period. In the event Buyer does not complete the purchase, Buyer shall return the Property as near as is practicable to its original condition. If Buyer terminates this Agreement pursuant to this section, the Deposit, less any costs advanced or committed for Buyer, will be returned to Buyer, this Agreement will terminate, and Seller and Buyer will be released from all further obligation or liability hereunder, except as otherwise specified by this Agreement and except for Buyer's obligations to indemnify Seller under this section. Failure by Buyer to notify Seller in writing of any matters affecting the suitability of the Property, whether or not an inspection has been carried out, shall deem Buyer to have waived this contingency.
- 5.4 Buyer's Indemnification. Buyer agrees to assume all liability for and to defend, indemnify and save Seller harmless from all liability and expense (including reasonable costs and attorneys' fees) in connection with all claims, suits and actions of every name, kind and description brought against Seller or its agents or employees by any person or entity as a result of or on account of injuries or damages to persons, entities and/or property received or sustained, arising out of, in connection with or as a result of the acts or omissions of Buyer, or its agents or employees in exercising its rights under this Agreement and the right of entry granted in connection with its Feasibility Study, except for claims caused by Seller's sole negligence.

6. Condition of the Property.

- 6.1 "As Is" Buyer acknowledges that the Property will be purchased under this Agreement in an "as is" condition. Seller shall surrender the Property in as good condition, except for normal wear and tear, as exists on the date of this Agreement. Seller agrees that it will not damage nor commit waste on the Property between the date of acceptance of this Agreement and the date of closing.
- 6.2 Inspections. Buyer agrees that it will rely on its own inspections and evaluations of the Property, with the exception of written documentation, including, but not limited to any disclosures required by law, provided to it by Seller, to determine the suitability of the Property for Buyer's intended use.

7. Closing. This transaction will be closed in escrow by the Title Company acting as escrow agent ("Escrow Agent"). The closing will be held at the office of the Title Company on or before that date which is thirty (30) days after the end of the Feasibility Study Period, but in no event later than **August 31, 2017** (the "Closing Date"). If Closing does not occur on or before the Closing Date, or any later date mutually agreed to in writing by Seller and Buyer, Escrow Agent will immediately terminate the escrow, forward the Deposit to the party entitled to receive it as provided in this Agreement and return all documents to the party that deposited them. When notified by Escrow Agent, Buyer and Seller will deposit with Escrow Agent without delay all instruments and moneys required to complete the transaction in accordance with this Agreement. "Closing," for the purpose of this Agreement, is defined as the date that all documents are executed, the sale proceeds are available for disbursement to the Seller, and legal title passes to the Buyer.

8. Closing Costs and Prorations. Seller shall pay the premium for a standard coverage owner's policy of title insurance in the full amount of the Purchase Price, state of Washington real estate excise taxes applicable to the sale, and one-half of the Escrow Agent's escrow fee. Buyer shall pay the additional premium, if any, attributable to an extended coverage owner's policy of title insurance (if elected by Buyer) and any endorsements required by Buyer, any financing costs, the cost of recording the deed and any financing documentation, and one-half of the Escrow Agent's escrow fee. Property taxes and assessments for the current year, water and other utility charges, if any, shall be prorated as of the Closing Date unless otherwise agreed. Seller is a property tax exempt organization pursuant to R.C.W. 84.36.010, and therefore property taxes will only be due from Buyer for its ownership from and after the Closing Date.

9. Casualty Loss. Seller shall promptly notify Buyer of any event prior to the Closing Date which causes damage to or destruction of any portion of the Property. If Buyer and Seller cannot come to an agreement regarding any such damage to or destruction of the Property, including the settlement of any insurance claims, then Buyer and Seller will each have the right to terminate this Agreement by giving written notice of termination to the other party within twenty (20) days after receipt of actual notice of such casualty loss. Upon exercise of such termination election by either party, this Agreement will terminate, and the Deposit will be returned to Buyer.

10. Possession. Seller shall deliver possession of the Property to Buyer on the Closing Date. Seller shall remove any and all personal property from the Property on or before the Closing Date, unless specifically authorized in writing by Buyer.

11. Events of Default. In the event Buyer fails, without legal excuse to complete the purchase of the Property, then that portion of the Deposit which does not exceed five percent (5%) of the Purchase Price shall be forfeited to Seller as the sole and exclusive remedy available to Seller for such failure. In the event Seller fails, without legal excuse, to complete the sale of the Property, Buyer shall be entitled to immediate return of its Deposit, and may pursue any remedies available to it in law or equity, including specific performance.

12. Notices. Any notice under this Agreement must be in writing and be personally delivered, delivered by recognized overnight courier service, given by mail or via facsimile. E-mail transmission of notice shall not be effective. All notices must be addressed to the parties at the following addresses, or at such other addresses as the parties may from time to time direct in writing:

Seller: Tacoma Public Utilities – Real Property Services
ABS – 2nd Floor
3628 S. 35th Street
Tacoma, WA 98409
Facsimile No.: (253) 502-8539

Buyer: Jeff. A. and Mary J. Norton
9621 37th Ave SW
Seattle, WA 98126
Jnorton@seattlelutheran.org
Facsimile No.: N/A

With a copy to: Better Properties Commencement Bay LLC
1821 Dock St Ste 102
Tacoma, WA 98402
Facsimile No.: (253) 220-2087

With a copy to: Eric Slawson / Keller Williams Downtown Seattle
1100 Dexter Ave N Ste 275
Seattle, WA 98109
eric@alchemyrealestate.com
Facsimile No.: N/A

Any notice will be deemed to have been given, when personally delivered, and if delivered by courier service, one business day after deposit with the courier service, and if mailed, two business days after deposit in the U.S. mail, and if delivered by facsimile, the same day as verified.

13. Counterparts; Faxed Signatures. This Agreement may be executed in any number of counterparts and by different parties hereto, each of which counterpart when so executed shall have the same force and effect as if that party had signed all other counterparts. Facsimile transmitted signatures shall be fully binding and effective for all purposes.

14. Brokers and Finders. Seller's broker is Christopher John of Better Properties Commencement Bay LLC. Buyer's broker is Eric Slawson of Keller Williams Downtown Seattle. In the event any broker or other person makes a claim for a commission or finder's fee based upon the transaction contemplated by this Agreement, the party through whom said broker or other person makes its claim shall indemnify and hold harmless the other party from said claim and all liabilities, costs and expenses related thereto, including reasonable attorneys' fees, which may be incurred by such other party in connection with such claim. This indemnity shall survive the closing of this transaction.

15. Amendments. This Agreement may be amended or modified only by a written instrument executed by Seller and Buyer.

16. Continuation and Survival of Representations and Warranties. All representations and warranties by the respective parties contained in this Agreement or made in writing pursuant to this Agreement are intended to and will remain true and correct as of the time of Closing, will be deemed to be material, and will survive the execution and delivery of this Agreement and the delivery of the Deed and transfer of title for a period of 6 (six) months whereupon they shall terminate. Such representations and warranties, however, are not assignable and do not run with the land, except as may be expressly provided herein or contained in a written instrument signed by the party to be charged.

17. Governing Law. This Agreement will be governed and construed in accordance with the laws of the state of Washington.

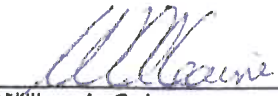
18. Attorney Fees. If either party fails to perform any of its obligations under this Agreement or if a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting party or the party not prevailing in the dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights under

this Agreement, including without limitation, court costs and reasonable attorney fees incurred in connection with any federal, state or bankruptcy proceeding.

19. Time of the Essence. Time is of the essence of this Agreement and of all acts required to be done and performed by the parties hereto.
20. FIRPTA. The Escrow Agent is instructed to prepare a certification or equivalent that Seller is not a "foreign person" within the meaning of the Foreign Investment in Real Property Tax Act ("FIRPTA"), and Seller agrees to sign this certification. If Seller is a "foreign person" as the same is defined by FIRPTA, and this transaction is not otherwise exempt from FIRPTA, Escrow Agent is instructed to withhold and pay the required amount to the Internal Revenue Service.
21. Waiver. Neither Seller's nor Buyer's waiver of the breach of any covenant under this Agreement will be construed as a waiver of the breach of any other covenants or as a waiver of a subsequent breach of the same covenant.
22. Nonmerger. The terms and provisions of this Agreement, including without limitation, all indemnification obligations, will not merge in, but will survive, the closing of the transaction contemplated under the Agreement.
23. Assignment. Buyer shall not assign this Agreement without Seller's prior written consent, which consent may not be unreasonably withheld or delayed.
24. Negotiation and Construction. This Agreement and each of its terms and provisions are deemed to have been explicitly negotiated between the parties, and the language in all parts of this Agreement will, in all cases, be construed according to its fair meaning and not strictly for or against either party.
25. Additional Acts. Except as otherwise provided herein, in addition to the acts and deeds recited herein and contemplated to be performed, executed and/or delivered by any party hereto, the parties agree to perform, execute and/or deliver, or cause to be performed, executed and/or delivered, any and all such further acts, deeds and assurances, which may reasonably be required to give effect to the Agreement contemplated herein.
26. Waiver of RCW 64.06 Disclosure. Buyer and Seller acknowledge that the Property may constitute "Commercial Real Estate" or "Residential Real Property" as defined in RCW 64.06.005. Buyer waives receipt of the seller disclosure statement required under RCW 64.06 for transactions involving the sale of such real property, except for the section entitled "Environmental." The Environmental section of the seller disclosure statement is attached to this Agreement as Exhibit "A-1" (the "Disclosure Statement").
27. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the purchase and sale of the Property, and supersedes all prior agreements and understandings, oral or written, between the parties relating to the subject matter of this Agreement.

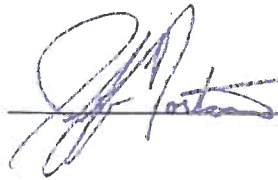
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

SELLER:

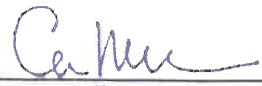


William A. Gaines,
Utilities Director / CEO
Date 4/1/17

BUYER:



Date 5-7-17



Chris McQueen
Acting Water Superintendent
Date 5/18/17



Date 5.7.17

Approved as to form:




Office of City Attorney
Date 5/10/17

City of Tacoma Review

TACOMA WATER



Greg Volkhardt
Environmental Services Manager
Date

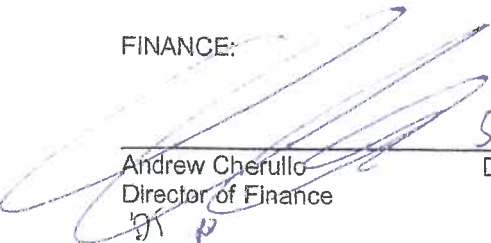


Jodi Collins
Financial Manager
Date 5/17/17



John Haase
Surveyor
Date May 15, 2017

FINANCE:



Andrew Cherullo
Director of Finance
Date 5-26-2017

EXHIBIT "A"
LEGAL DESCRIPTION

THE EAST 60 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

BEGINNING AT THE INTERSECTION OF A LINE PARALLEL WITH AND 234 FEET NORTH OF THE SOUTH LINE OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 16, TOWNSHIP 21 NORTH, RANGE 3 EAST, W.M., PIERCE COUNTY, WASHINGTON, WITH THE EAST LINE OF EAST SIDE DRIVE;
THENCE EAST ON SAID LINE 135 FEET;
THENCE SOUTH PARALLEL WITH THE EAST LINE OF SAID DRIVE 134 FEET;
THENCE EAST PARALLEL WITH THE SOUTH LINE OF SAID SUBDIVISION, 407.22 FEET TO THE EAST LINE OF THE PROPERTY ACQUIRED BY CHARLES NEWCOM BY DEED RECORDED FEBRUARY 8, 1921 UNDER RECORDING NO. 687108, RECORDS OF SAID COUNTY;
THENCE NORTH 1 DEGREE 28 MINUTES 26 SECONDS WEST ALONG SAID LINE TO THE NORTH LINE OF THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION;
THENCE WEST TO THE EAST LINE OF EAST SIDE DRIVE;
THENCE SOUTH TO THE POINT OF BEGINNING;
EXCEPT THE NORTH 15 FEET FOR 61ST STREET NORTHEAST;
SITUATE IN THE COUNTY OF PIERCE, STATE OF WASHINGTON.

Exhibit A-1

REAL PROPERTY DISCLOSURE STATEMENT

(ENVIRONMENTAL ONLY)

INSTRUCTIONS TO THE SELLER

Please complete the following form. Do not leave any spaces blank. If the question clearly does not apply to the property write "NA." If the answer is "yes" to any * items, please explain on attached sheets. Please refer to the line number(s) of the question(s) when you provide your explanation(s). For your protection you must date and sign each page of this disclosure statement and each attachment. Delivery of the disclosure statement must occur **not later than five business days**, unless otherwise agreed, after mutual acceptance of a written contract to purchase between a buyer and a seller.

NOTICE TO THE BUYER

THE FOLLOWING DISCLOSURES ARE MADE BY SELLER ABOUT THE CONDITION OF THE PROPERTY LOCATED AT _____ ("THE PROPERTY"), OR AS LEGALLY DESCRIBED ON ATTACHED EXHIBIT A-1 Appendix

SELLER MAKES THE FOLLOWING DISCLOSURES OF EXISTING MATERIAL FACTS OR MATERIAL DEFECTS TO BUYER BASED ON SELLER'S ACTUAL KNOWLEDGE OF THE PROPERTY AT THE TIME SELLER COMPLETES THIS DISCLOSURE STATEMENT. UNLESS YOU AND SELLER OTHERWISE AGREE IN WRITING, YOU HAVE THREE BUSINESS DAYS FROM THE DAY SELLER OR SELLER'S AGENT DELIVERS THIS DISCLOSURE STATEMENT TO YOU TO RESCIND THE AGREEMENT BY DELIVERING A SEPARATELY SIGNED WRITTEN STATEMENT OF RESCISSION TO SELLER OR SELLER'S AGENT. IF THE SELLER DOES NOT GIVE YOU A COMPLETED DISCLOSURE STATEMENT, THEN YOU MAY WAIVE THE RIGHT TO RESCIND PRIOR TO OR AFTER THE TIME YOU ENTER INTO A SALE AGREEMENT.

THE FOLLOWING ARE DISCLOSURES MADE BY SELLER AND ARE NOT THE REPRESENTATIONS OF ANY REAL ESTATE LICENSEE OR OTHER PARTY. THIS INFORMATION IS FOR DISCLOSURE ONLY AND IS NOT INTENDED TO BE A PART OF ANY WRITTEN AGREEMENT BETWEEN BUYER AND SELLER.

FOR A MORE COMPREHENSIVE EXAMINATION OF THE SPECIFIC CONDITION OF THIS PROPERTY YOU ARE ADVISED TO OBTAIN AND PAY FOR THE SERVICES OF QUALIFIED EXPERTS TO INSPECT THE PROPERTY, WHICH MAY INCLUDE, WITHOUT LIMITATION, ARCHITECTS, ENGINEERS, LAND SURVEYORS, PLUMBERS, ELECTRICIANS, ROOFERS, BUILDING INSPECTORS, ON-SITE WASTEWATER TREATMENT INSPECTORS, OR STRUCTURAL PEST INSPECTORS. THE PROSPECTIVE BUYER AND SELLER MAY WISH TO OBTAIN PROFESSIONAL ADVICE OR INSPECTIONS OF THE PROPERTY OR TO PROVIDE APPROPRIATE PROVISIONS IN A CONTRACT BETWEEN THEM WITH RESPECT TO ANY ADVICE, INSPECTION, DEFECTS, OR WARRANTIES.

Seller ☐ Is/ ☒ Is not occupying the property.

I. SELLER'S DISCLOSURES:

If you answer "Yes" to a question with an asterisk (), please explain your answer and attach documents, if available and not otherwise publicly recorded. If necessary, use an attached sheet.

ENVIRONMENTAL	YES	NO	DON'T KNOW
*A. Has there been any flooding, standing water, or drainage problems on the property that affect the property or access to the property?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
*B. Is there any material damage to the property from fire, wind, floods, beach movements, earthquake, expansive soils, or landslides?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
*C. Are there any shorelines, wetlands, floodplains, or critical areas on the property?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
*D. Are there any substances, materials, or products in or on the property that may be environmental concerns, such as asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, or contaminated soil or water?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
*E. Is there any soil or groundwater contamination?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
*F. Has the property been used as a legal or illegal dumping site?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
*G. Has the property been used as an illegal drug manufacturing site?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
*H. Does any part of the property contain fill dirt, waste, or other fill material?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
*I. Has the property been used for commercial or industrial purposes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
*J. Are there any radio towers that cause interference with cellular telephone reception?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The foregoing answers and attached explanations (if any) are complete and correct to the best of my/our knowledge and I/we have received a copy hereof. I/we authorize all of my/our real estate licensees, if any, to deliver a copy of this disclosure statement to other real estate licensees and all prospective buyers of the property.

DATE: 2/8/17 SELLER

DATE: _____ SELLER

Gregory C. Volkmann

NOTICE TO BUYER

INFORMATION REGARDING REGISTERED SEX OFFENDERS MAY BE OBTAINED FROM LOCAL LAW ENFORCEMENT AGENCIES. THIS NOTICE IS INTENDED ONLY TO INFORM YOU OF WHERE TO OBTAIN THIS INFORMATION AND IS NOT AN INDICATION OF THE PRESENCE OF REGISTERED SEX OFFENDERS.

BUYER'S ACKNOWLEDGMENT

- A. Buyer hereby acknowledges that: Buyer has a duty to pay diligent attention to any material defects that are known to Buyer or can be known to Buyer by utilizing diligent attention and observation.
- B. The disclosures set forth in this statement and in any amendments to this statement are made only by the Seller and not by any real estate licensee or other party.
- C. Buyer acknowledges that, pursuant to RCW 64.06.050(2), real estate licensees are not liable for inaccurate information provided by Seller, except to the extent that real estate licensees know of such inaccurate information.
- D. This information is for disclosure only and is not intended to be a part of the written agreement between the Buyer and Seller.
- E. Buyer (which term includes all persons signing the "Buyer's acceptance" portion of this disclosure statement below) has received a copy of this Disclosure Statement (including attachments, if any) bearing Seller's signature.

DISCLOSURES CONTAINED IN THIS DISCLOSURE STATEMENT ARE PROVIDED BY SELLER BASED ON SELLER'S ACTUAL KNOWLEDGE OF THE PROPERTY AT THE TIME SELLER COMPLETES THIS DISCLOSURE STATEMENT. UNLESS BUYER AND SELLER OTHERWISE AGREE IN WRITING, BUYER SHALL HAVE THREE BUSINESS DAYS FROM THE DAY SELLER OR SELLER'S AGENT DELIVERS THIS DISCLOSURE STATEMENT TO RESCIND THE AGREEMENT BY DELIVERING A SEPARATELY SIGNED WRITTEN STATEMENT OF RESCISSION TO SELLER OR SELLER'S AGENT. YOU MAY WAIVE THE RIGHT TO RESCIND PRIOR TO OR AFTER THE TIME YOU ENTER INTO A SALE AGREEMENT.

BUYER HEREBY ACKNOWLEDGES RECEIPT OF A COPY OF THIS DISCLOSURE STATEMENT AND ACKNOWLEDGES THAT THE DISCLOSURES MADE HEREIN ARE THOSE OF THE SELLER ONLY, AND NOT OF ANY REAL ESTATE LICENSEE OR OTHER PARTY.

Date:

5-7-17

BUYER




Date:

5-7-17

BUYER

**Real Property Disclosure Statement
(Environmental Only)**

RE: Pierce County Parcel #0321163140

Additional Information related to Item I.I:

The property was previously owned by the Hyada Mutual Service Company, a non-profit corporation that operated a public water system supplying approximately 250 customers in the Brown's Point area. To the best of my knowledge, Hyada Mutual Service Company maintained a single well on the property. When Tacoma Water acquired this parcel in 2001, the well was capped in accordance with State Law.

Appendix A-1 Legal Description

Pierce County Parcel #0321163140

Section 16 Township 21 Range 03 Quarter 34 : E 60 FT OF FOLL BEG 234 FT N OF S LI OF N 1/2 OF SW OF SE OF SW & E LI OF E SIDE DR TH E 135 FT TH S 134 FT TH E 407.22 FT TH PAR WITH W LI SD SUBD N 01 DEG 28 MIN 26 SEC W TO N LI SD SUBD TH W TO E LI E SIDE DR TH S TO BEG EXC N 15 FT RD (DCCBEMS6-1-81) (DC7-25-2001SG)

**Addendum #1 to
City of Tacoma Department of Public Utilities Water Division
Real Estate Purchase and Sale Agreement No. A3143**

THIS Addendum is hereby incorporated into that certain Real Estate Purchase and Sale Agreement dated April 28, 2017, by and between CITY OF TACOMA, Department of Public Utilities, Water Division (d.b.a. Tacoma Water), a first class municipal corporation ("Seller") and Jeff A. and Mary J. Norton ("Buyer"), collectively the "Parties";

WITNESSETH

WHEREAS the Parties have executed the aforementioned Real Estate Purchase and Sale Agreement, dated April 28, 2017 (the "Agreement"), and

WHEREAS Section 7 of the Agreement states that the closing will be held "...on or before that date which is thirty (30) days after the end of the Feasibility Study Period, but in no event later than **August 31, 2017** (the "Closing Date")", and

WHEREAS the Feasibility Study Period expired July 16, 2017 with no notice of Non-Suitability having been received by the Seller, and the Seller subsequently requires more time than originally anticipated to obtain the approval of the Public Utility Board and the Tacoma City Council.

NOW THEREFORE, in consideration of the mutual promises and obligations herein, the Parties agree as follows:

1. Although diligent efforts will be made to close the transaction sooner, the Closing Date shall be extended to September 30, 2017.
2. This Addendum may be signed in counterparts and assembled to form a complete addendum to the Agreement.
3. All other terms of the Agreement shall remain the same unless formally amended in writing upon mutual agreement of the Parties.

IN WITNESS WHEREOF, the Parties hereto have entered into this Addendum effective as of the ____ day of July 2017.

SELLER:

BUYER:

William A. Gaines Date
Director of Utilities/CEO

Jeff A. Norton Date

Acting Water Superintendent Date

Mary J. Norton Date

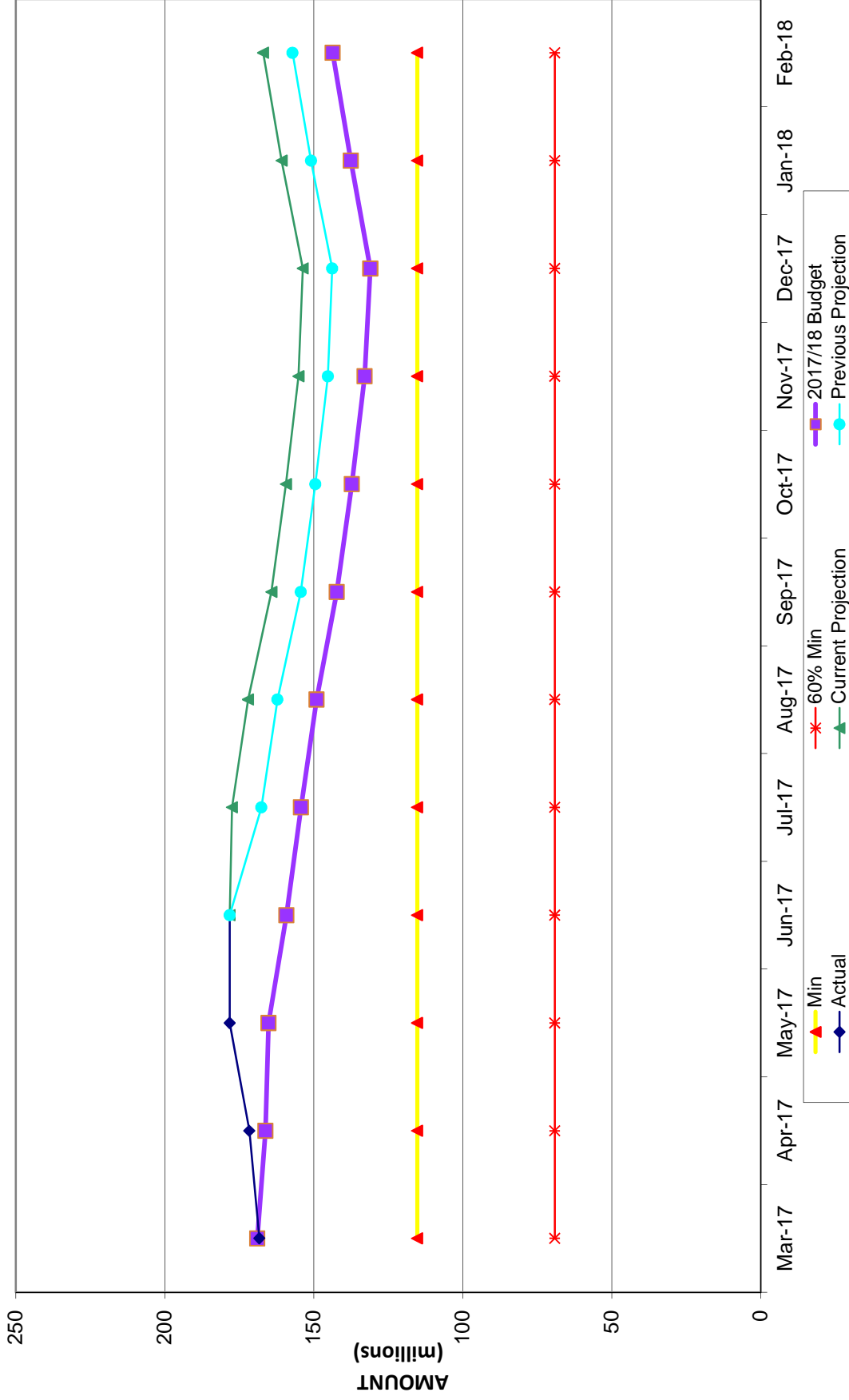
Approved as to form:

Deputy City Attorney Date

TACOMA POWER

CURRENT FUND BALANCED BUDGET CASH PROJECTIONS

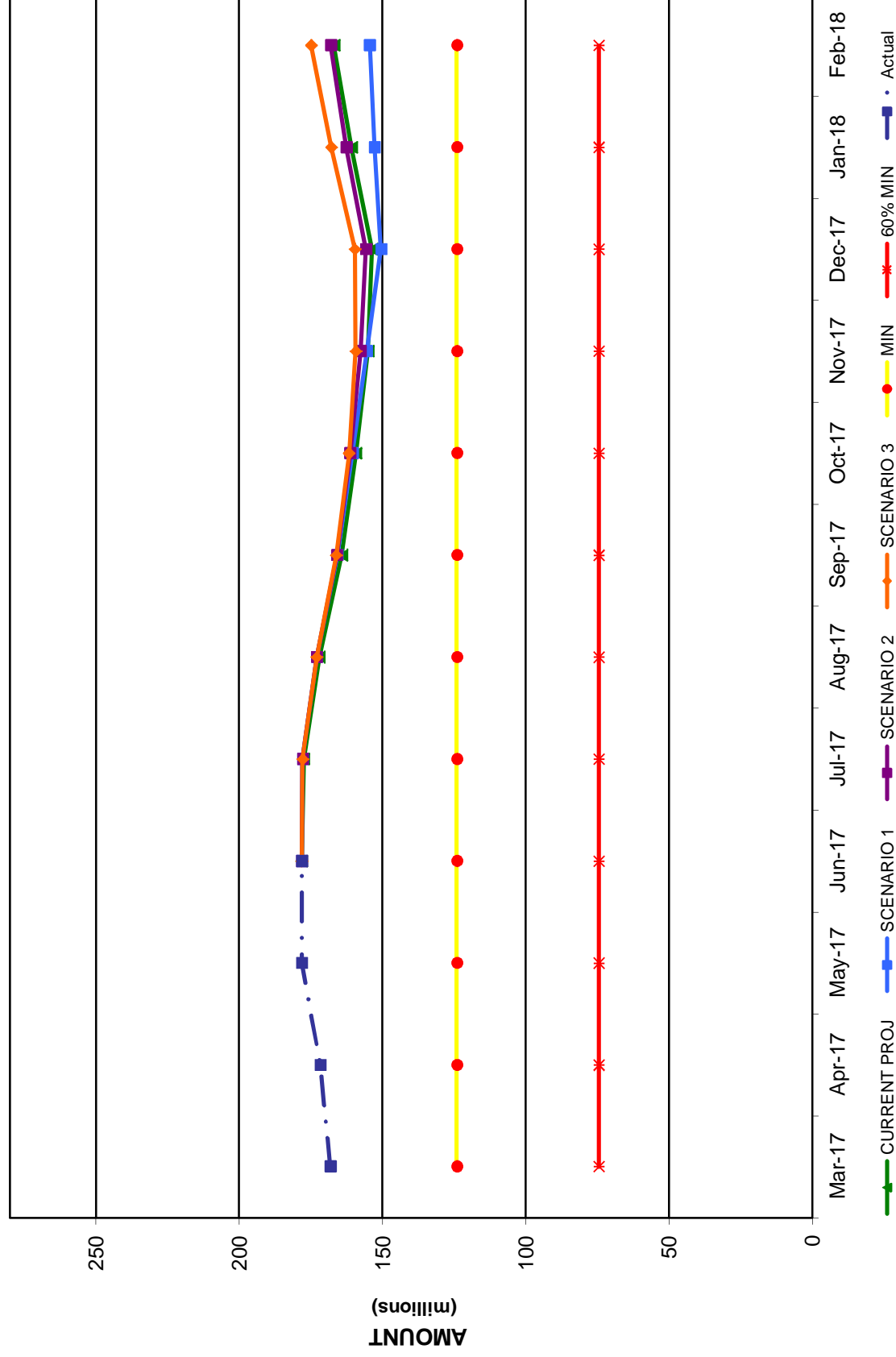
Estimated Cash for 2017-2018



TACOMA POWER

CURRENT FUND CASH PROJECTIONS

Actual and Estimated Cash for 2017-2018



TACOMA POWER
2017-2018 BALANCED BUDGET CASH PROJECTION
(000's omitted)

	Jun-17	Jun-17	Jul-17	Aug-17	Sep-17
	Estimate	Actual			
Beginning Cash Balance (4)	178,194	178,194	181,823	177,434	172,020
Cash In					
Retail Sales	26,277	27,179	24,101	24,730	23,852
Wholesale Sales	5,628	5,258	4,903	2,677	2,035
Telecommunications	2,286	2,199	2,305	2,407	2,434
Other Revenue	2,017	2,216	2,017	2,017	2,017
Total Cash In	36,208	36,852	33,326	31,831	30,338
Cash Out					
Personnel Costs	11,565	10,944	7,710	7,710	7,710
Debt Service	2,564	2,569	3,019	3,019	3,019
Taxes	5,523	4,970	4,463	4,036	4,707
BPA Purchases	10,866	10,353	10,550	10,900	11,388
Wholesale Purchases	1,984	760	1,947	1,554	1,292
Supplies, Other Services & Charges	6,616	4,901	6,616	6,616	6,616
Capital Outlay	3,410	3,731	3,410	3,410	3,410
Total Cash Out	42,528	38,228	37,715	37,245	38,142
Net	(6,320)	(1,376)	(4,389)	(5,414)	(7,804)
Change in A/R		7,176			
Change in A/P		(2,171)			
Ending Cash Balance	171,874	181,823	177,434	172,020	164,216

The accompanying notes are an integral part of these cash projections.

TACOMA POWER
2017-2018 CURRENT FUND CASH PROJECTIONS

Notes:

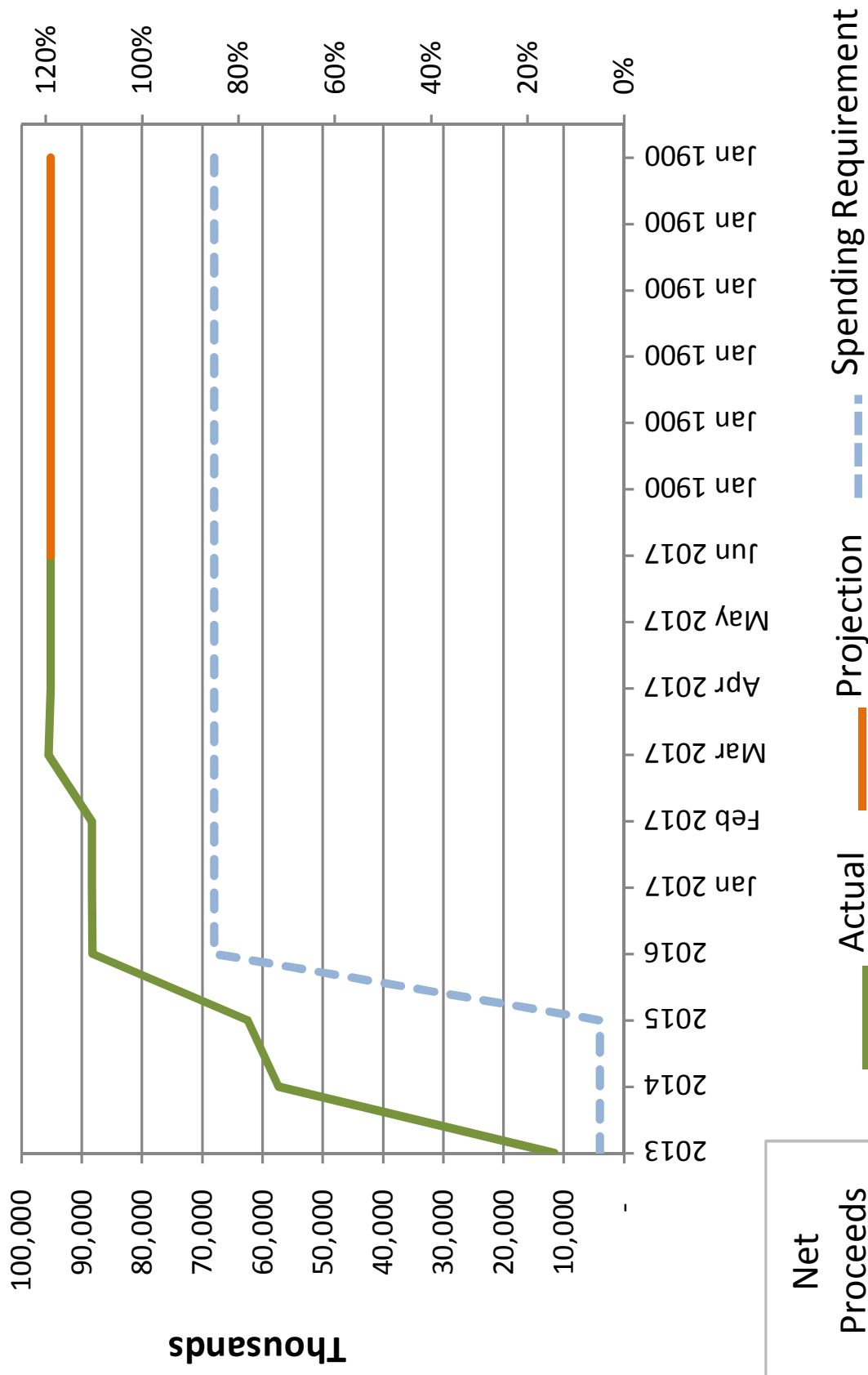
1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on Public Utility Board and City Council resolutions, the Division should maintain a minimum cash working capital balance of approximately \$115.3 million (90 days) in the 2017/2018 biennium. Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$69.2 million).
3. Commitments: These projections are based on the 2017/2018 budget.
4. "Actual" cash and investment balance as of June 1st, 2017.
5. BPA Purchase information provided by Power Management March 9th, 2017.
BPA billings are net of Wynoochee and LaGrande/Cushman billing credits.
6. The Capital Outlay projection is based on the 2017/2018 budget.
7. Regular debt service includes the interest and principal payments on all outstanding Electric System Revenue and Refunding bonds.
8. Retail revenue in this projection is based on the Retail Sales and Forecast provided by the Rates, Planning and Analysis division.
9. On the Current Fund Cash Projections graph the most recent projection is labeled "CURRENT PROJ." Also shown are three scenarios based on estimated wholesale power sales revenues under current forward wholesale market prices and the following streamflow conditions:
 - Scenario 1 represents critical water conditions for 12 months followed by adverse water conditions.
 - Scenario 2 represents adverse water conditions.
 - Scenario 3 represents average water conditions.
10. Wholesale Sale/Purchase information provided by Power Management on July 17th, 2017.

Significant Changes:

Wholesale Purchases was (\$1.2) million less than projected due to lower market prices.

Supplies, Other Services & Charges came in under estimates by (\$1.7) million. These estimates are based on an even spread of the biennial budget and, therefore, will vary from actuals on a monthly basis.

4700-13CON Cumulative Bond Spending



Tacoma Public Utilities
Power Bonds
As of June 30, 2017

	4700-13CON
Bond Type	Revenue Bonds
Issue Date	6/1/2013
Months Transpired	46

Construction Fund Proceeds	93,743,000
Investment Revenue	1,455,444
Period	
2013	(11,583,188)
2014	(45,757,017)
2015	(5,099,210)
2016	(25,786,936)
1/31/2017	(81,348)
2/28/2017	(12,329)
3/31/2017	(7,210,199)
4/30/2017	326,072
5/31/2017	-
6/30/2017	5,714

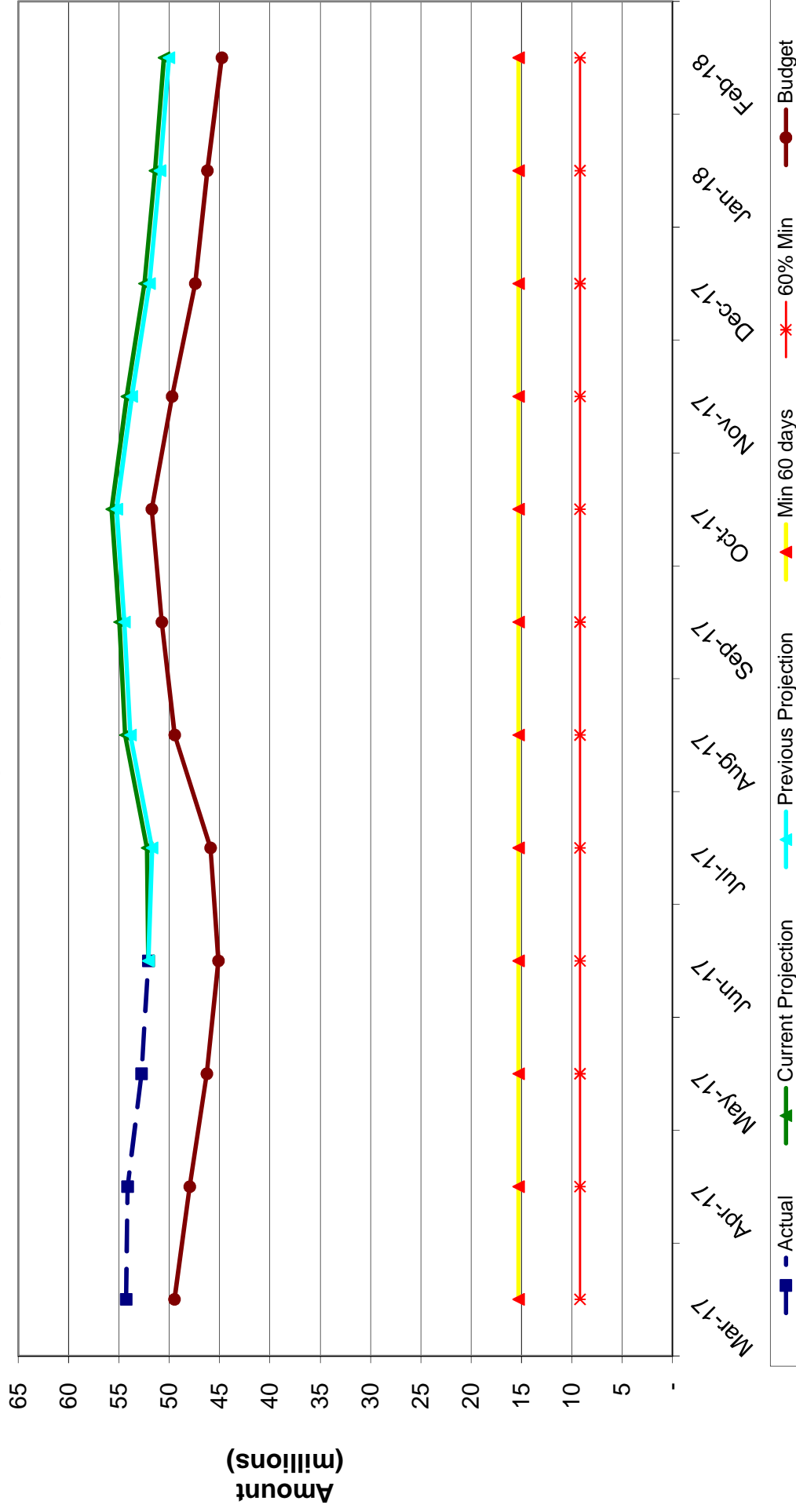
Total Spending	(95,198,441)
Remaining Bond Balance	3
Actual % Spent	102%
Cash Balance	3

4700-13CON

PROJECT	EST \$\$	ACT \$\$	DIFF
Cushman 1 Replace GSU Transformer Bank 2	-	347	347
Cowlitz Falls Downstream Fish Passage	-	5,367	5,367

TOTAL Spending vs. Projection	-	5,714	5,714
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TACOMA WATER CURRENT FUND CASH PROJECTIONS Actual & Estimated Cash for 2017/2018



TACOMA WATER
2017/2018 CURRENT FUND CASH PROJECTIONS
(000's omitted)

	Jun-17 Estimate	Jun-17 Actual	Jul-17 Estimate	Aug-17 Estimate	Sep-17 Estimate
Beginning Cash Balance	52,746	52,746	52,078	52,198	54,366
Cash In					
Water Sales	6,576	7,104	7,004	9,397	7,563
Public Fire Protection (collected)	279	390	233	287	224
Interest	23	73	23	23	23
Other Revenue	297	407	306	331	310
BABs Subsidies	231	248	231	231	231
Total Cash In	7,406	8,222	7,797	10,269	8,351
Cash Out					
Personnel Costs	3,082	2,759	2,055	2,055	2,055
Supplies, Other Services & Charges	2,213	2,381	2,420	2,526	2,280
Taxes	1,065	932	989	1,307	1,206
Debt Service	2,214	2,187	2,213	2,213	2,213
Capital Outlay	-	47	-	-	-
Total Cash Out	8,574	8,306	7,677	8,101	7,754
Change in A/R	-	(886)	-	-	-
Change in A/P	-	302	-	-	-
Net Change in Cash	(1,168)	(668)	120	2,168	597
Ending Cash Balance	51,578	52,078	52,198	54,366	54,963

TACOMA WATER
2017/2018 CURRENT FUND CASH PROJECTIONS

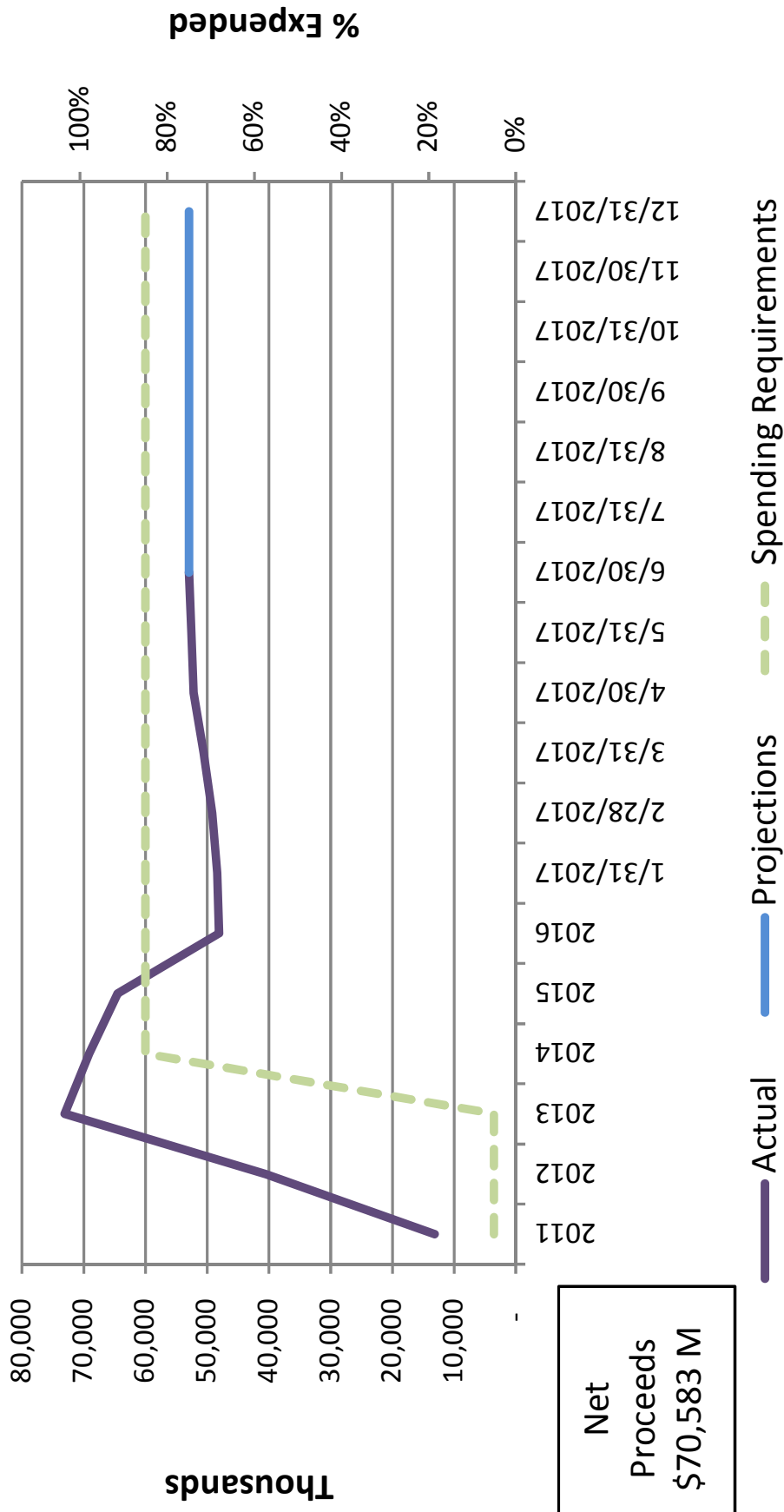
Notes:

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on City Council Resolution No. 38215, adopted March 8, 2011, the Division should maintain a minimum cash balance equal to 60 days of current expenditures (\$15.964 million in 2017/2018). Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$9.578 million).
3. Projections for changes in A/P and A/R are not provided due to the variable nature of these accounts. In general, a change in A/R is a result of a change in current month billings and collections, both of which are indicators of current and future cash inflows. A change in A/P is a result of a change in current month purchases and payments, both of which are indicators of current and future cash outflows.

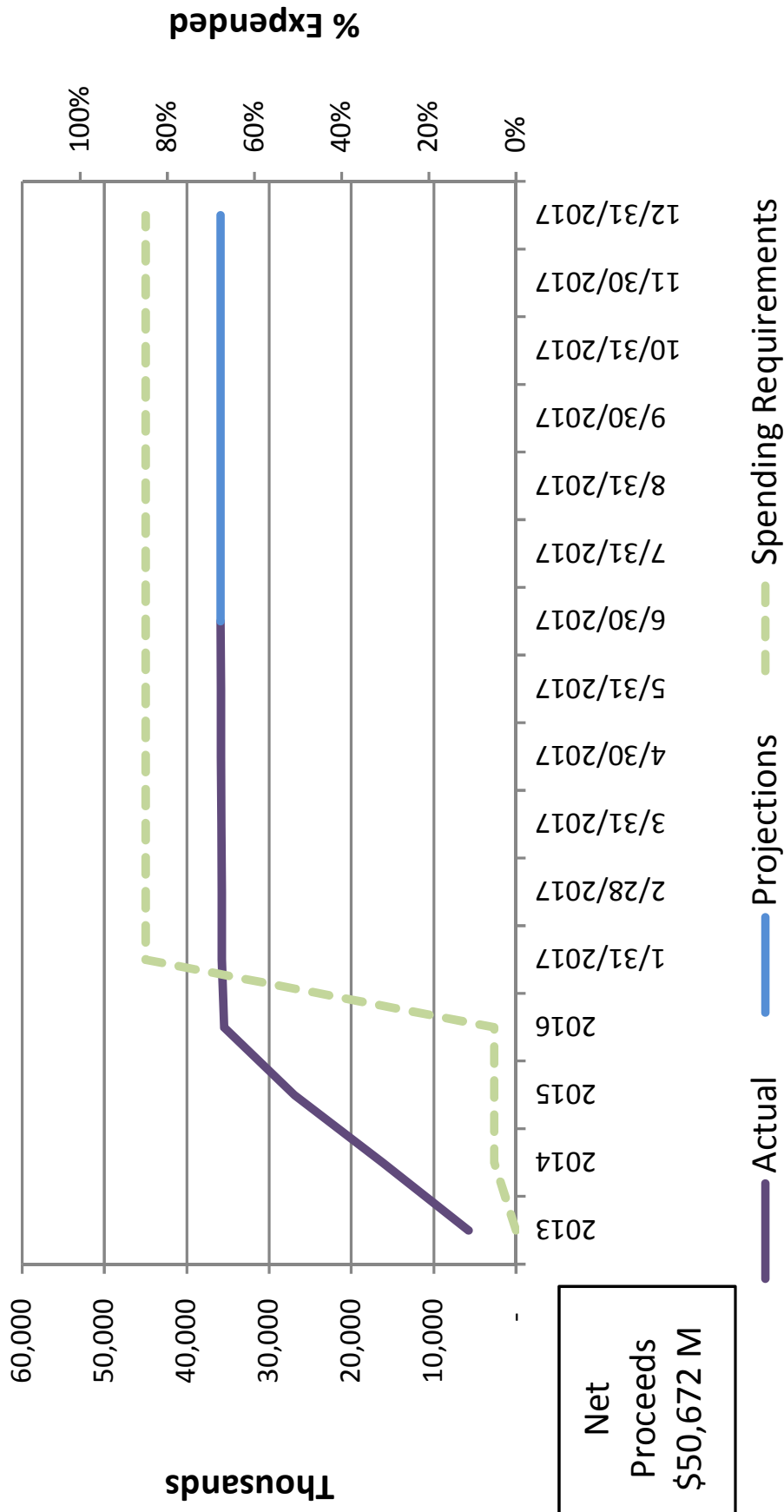
Explanation of Variances and/or Changes in Projections:

1. Water Sales increased \$0.5 million. Of that, Residential sales increased \$0.4 million and Sales to Other Public Utilities increased \$0.1 million.

Water 4600-10WC Cumulative Bond Spending



Water 4600-13WC Cumulative Bond Spending



Tacoma Public Utilities
Water Bonds
As of June 30, 2017

	Water	
	4600-10WC	4600-13WC
Bond Type	Taxable Build America Bonds	Revenue and Refunding Bonds
Issue Date	8/26/2010	5/7/2013
Months Transpired	83	50

Construction Fund Proceeds	70,583,000	50,672,000
Interest Income	3,264,840	1,064,925
Period		
2011	(13,126,630)	-
2012	(27,346,085)	-
2013	(32,598,851)	(5,767,218)
2014	4,004,026	(10,470,130)
2015	4,610,670	(10,684,407)
2016	16,395,475	(8,545,727)
1/31/2017	(277,688)	(272,288)
2/28/2017	(825,242)	(18,652)
3/31/2017	(1,388,636)	(35,048)
4/30/2017	(1,597,225)	(37,188)
5/31/2017	(379,296)	(34,769)
6/30/2017	(394,110)	(31,141)

Total Spending	(52,923,592)	(35,896,568)
Remaining Bond Balance	20,924,248	15,840,357
Actual % Spent	75%	71%
Cash Balance	20,924,248	15,840,357

4600-10WC

PROJECT	EST \$\$	ACT \$\$	DIFF
15/16 Distribution Main Upgrades & Renew	-	117,916	117,916
17/18 Water Service Replace & Renewals	-	110,308	110,308
20 projects	-	165,886	165,886
	-		-
	-		-

TOTAL Spending vs. Projection

-	394,110	394,110
---	---------	---------

4600-13WC

PROJECT	EST \$\$	ACT \$\$	DIFF
10 projects	-	31,141	31,141
			-
			-
			-
			-

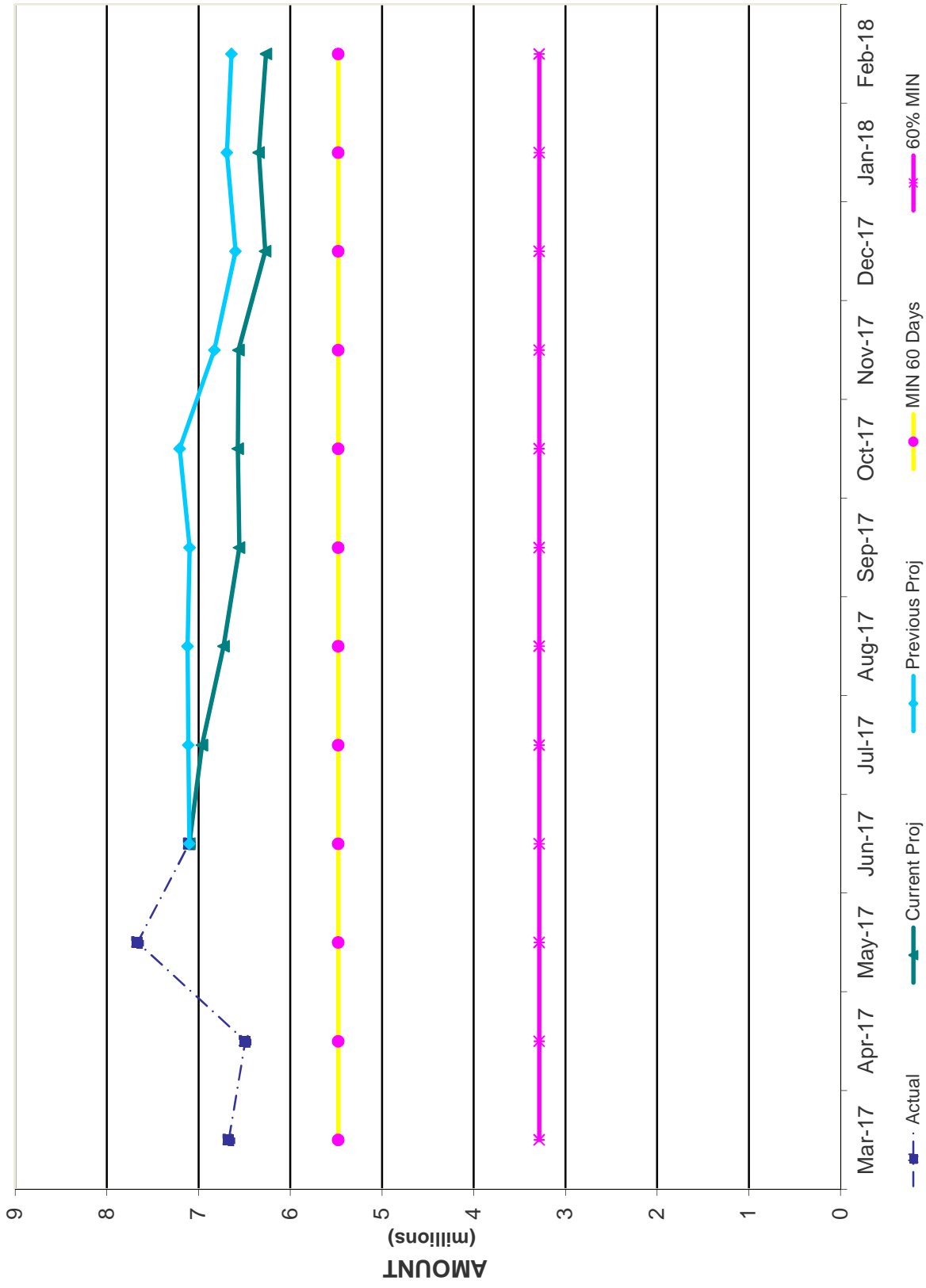
TOTAL Spending vs. Projection

-	31,141	31,141
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TACOMA RAIL

2017 CURRENT FUND CASH PROJECTIONS

Actual & Estimated Cash



TACOMA RAIL
2017 CURRENT FUND CASH PROJECTIONS
(000's omitted)

	Jun-17 Estimate	Jun-17 Actual	Jul-17 Estimate	Aug-17 Estimate	Sep-17 Estimate
Beginning Cash Balance	\$7,665	\$7,665	7,101	\$6,963	\$6,727
<u>REVENUES (Cash-In)</u>	(1)				
Switching Revenue	2,047	1,901	2,117	2,199	2,005
Demurrage Revenue	96	109	96	96	96
Other Revenues	22	16	22	22	22
Lease Revenue	80	154	90	90	90
Interest Income	8	9	8	8	8
Service Maint/Trans Revenue	155	157	155	155	155
Reimbursement/Transfer Ins	-	-	-	-	-
Total Revenues	2,408	2,346	2,488	2,570	2,376
<u>EXPENSES (Cash-Out)</u>	(1)				
Personnel Costs	1,663	1,605	1,220	1,220	1,220
Taxes	226	234	233	241	223
Supplies, Other Services & Charges	801	512	754	702	558
Assessments	140	153	139	140	139
Debt Service	138	138	90	108	111
Transfer Outs	-	-	-	-	-
Volume Incentive	-	-	-	-	-
Capital Outlay	325	209	190	395	295
Total Expenses	3,293	2,851	2,626	2,806	2,546
Change in AR	(3)	198			
Change in AP	(3)	(257)			
Net Increase (Decrease) in Cash	(885)	(564)	(138)	(236)	(170)
Ending Cash Balance	(2)	6,780	7,101	\$6,727	\$6,557

The accompanying notes are an integral part of these cash projections.

TACOMA RAIL
2017 CURRENT FUND CASH PROJECTIONS

Notes:

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on City Council Resolution No. 37101, adopted February 6, 2007, the Division should maintain a minimum cash balance equal to 60 days of current expenditures (\$5.478 million in the 2017/2018). Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$3.287 million).
3. Change in AR and Change in AP are adjustments to the current month's actual cash flows from Revenues and Expenses which factor into the actual ending cash balance. A positive number in Change in AR indicates collections from outstanding accounts receivables exceeded revenues billed in the same month. Conversely, a positive number in Change in AP indicates that payments for goods and services were less than recorded expenses for the same month. The outstanding AR and AP balances at the end of the month will impact the future cash inflows and outflows, respectively.

Significant changes since last projection:

1. The variance of (\$146,000) in Switching revenue is primarily due to a decrease from anticipated Intermodal traffic going through the Port of Seattle, due to a new shipping lines arrangement with the Northwest Seaport Alliance.
2. The variance in Supplies, Other Services and Charges of (\$289,000) is due to the delay of invoices associated with the Positive Train Control (PTC) project being expensed. The costs are anticipated to be expensed in July or August as the project progresses.
3. The variance of (\$116,000) in Capital Outlay is due to two project billings being moved to a future date.

JUNE

FLEET SERVICES FUND

2017

**FINANCIAL
REPORT**



Public Utility Board

MONIQUE TRUDNOWSKI

Chair

WOODROW JONES

Vice-Chair

KAREN LARKIN

Secretary

BRYAN FLINT

Member

MARK PATTERSON

Member

WILLIAM A. GAINES

Director of Utilities/CEO

DON ASHMORE

Utilities Fleet Manager

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

MANAGEMENT DISCUSSION AND ANALYSIS

Fleet Services is reporting a net operating loss of \$1.0 million year-to-date 2017 compared to a net gain of \$205,000 recorded for the same time period in 2016. Operating revenues decreased \$999,000 and expenses increased \$246,000 respectively, resulting in a net decrease in operating income of \$1.2 million compared to 2016.

Revenues

Fleet Services operating revenue is comprised of five categories: Maintenance, Capital Recovery, Administrative Overhead, Fuel and Fuel Loading and Pool Car Rentals. Operating revenues were \$2.9 million and \$3.9 million at the end of the second quarter of 2017 and 2016.

Maintenance revenues are mainly related to staff labor and were \$1.1 million at the end of the second quarter of both 2017 and 2016.

Capital recovery revenues are collected on each vehicle and piece of equipment based on anticipated equipment replacement needs for each business unit. Capital recovery revenues were \$1.1 million and \$2.3 million in 2017 and 2016 respectively.

Administrative Overhead revenue is the fee charged for each vehicle that is in service. The number of vehicles in service varies from month to month and the rate can vary based on type of vehicle. Administrative Overhead revenue was \$553,000 and \$415,000 in 2017 and 2016 respectively.

Fuel and fuel loading revenues are affected by year to year changes in vehicle usage and fluctuations in fuel prices. Fuel related revenues were \$28,000 and \$21,000 in 2017 and 2016 respectively.

Pool car revenues are based on usage and were \$59,000 and \$54,000 for 2017 and 2016 respectively.

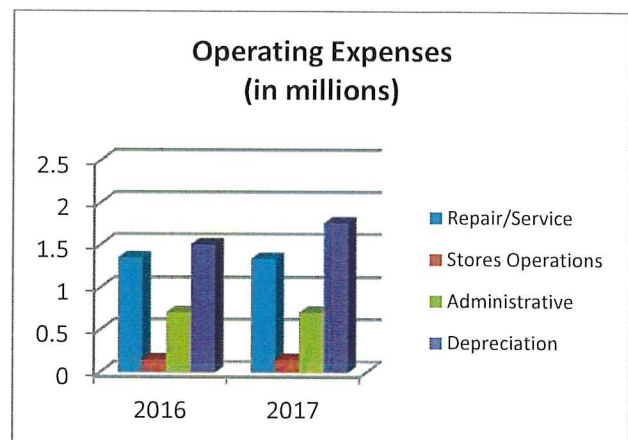
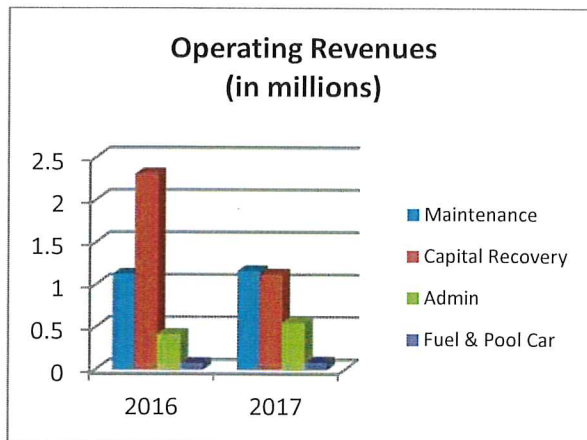
Expenses

Fleet Services operating expenses are comprised of four major categories: Repairs and service, stores operations, administration and depreciation. Fleet Services expenses were \$4.0 million and \$3.7 million year-to-date through the second quarter of both 2017 and 2016.

Repairs and service expense relates to shop operations which provide preventive and corrective maintenance and repairs to vehicles and pieces of equipment for Tacoma Public Utilities and other service groups. Repair and service expenses were \$1.3 million in both 2017 and 2016 respectively.

Stores operation is a parts warehouse maintained by Fleet which had expenses of \$152,000 in both 2017 and 2016.

Administration expenses were \$708,000 and \$706,000 in 2017 and 2016 respectively. Depreciation expenses were \$1.8 million and \$1.5 million in 2017 and 2016 respectively.



Non-Operating Revenues (Expenses)

Interest income was \$85,000 and \$88,000 for the second quarter of 2017 and 2016 respectively.

William A. Gaines
Director of Utilities/CEO

Andrew Cherullo
Finance Director

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES

FLEET SERVICES FUND

TABLE OF CONTENTS

Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.

STATEMENTS OF NET POSITION	1 - 2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	3 - 4
STATEMENTS OF CASH FLOWS	5 - 6
EQUITY DISTRIBUTION	7
SUPPLEMENTAL DATA	8 - 10

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

STATEMENTS OF NET POSITION
JUNE 30, 2017 AND JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
FIXED		
Office Furniture and Equipment	\$616,901	\$616,901
Stores and Shop Equipment	719,381	692,125
Transportation Equipment	42,810,288	37,625,145
Power-Operated Equipment	19,105,895	18,944,219
Accumulated Depreciation	<u>(39,086,828)</u>	<u>(38,415,283)</u>
Total Fixed Assets	24,165,637	19,463,107
Construction Work in Progress	<u>1,540,265</u>	<u>2,894,425</u>
Net Fixed Assets	25,705,902	22,357,532
CURRENT		
Current Fund Cash & Equity in Pooled Investments	19,083,559	22,438,791
Materials and Supplies	<u>297,929</u>	<u>274,268</u>
Total Current Assets	19,381,488	22,713,059
OTHER ASSETS		
Net Pension Assets	<u>-</u>	<u>101,261</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows for Pensions	<u>964,710</u>	<u>240,412</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS.....	<u><u>\$46,052,100</u></u>	<u><u>\$45,412,264</u></u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.

	2017	2016
NET POSITION AND LIABILITIES		
NET POSITION		
Net Investment in Capital Assets	\$25,705,902	\$22,357,532
Restricted for:		
Tacoma Power	18,095,346	18,095,346
Tacoma Water	7,199,933	7,199,933
Tacoma Rail	981,147	981,147
Net Pension Asset	-	101,261
Unrestricted	(7,221,021)	(3,914,397)
TOTAL NET POSITION	44,761,307	44,820,822
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable & Other	97,301	113,935
Wages Payable	71,206	150,685
Total Current Liabilities	168,507	264,620
LONG-TERM LIABILITIES		
Employee Vacation and Sick Leave Accrual	231,004	219,922
Net Pension Liability	835,359	-
Total Long-term Liabilities	1,066,363	219,922
TOTAL LIABILITIES	1,234,870	484,542
DEFERRED INFLOW OF RESOURCES		
Deferred Inflows for Pensions	55,923	106,900
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	\$46,052,100	\$45,412,264

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2017 AND JUNE 30, 2016

	JUNE 2017	JUNE 2016
OPERATING REVENUE		
Maintenance Revenue	\$457,067	\$177,732
Capital Recovery	205,287	384,857
Administrative Overhead	114,016	68,842
Fuel and Fuel Loading	4,797	4,727
Pool Car Rental	7,441	8,327
Total Operating Revenue	<u>788,608</u>	<u>644,485</u>
OPERATING EXPENSES		
Repairs and Servicing		
Shop Operations	188,512	221,118
Outside Services	124	577
Total Repairs and Servicing	<u>188,636</u>	<u>221,695</u>
Stores Operations	28,078	27,514
Administration	116,850	110,106
Depreciation	292,841	248,112
Total Operating Expenses	<u>626,405</u>	<u>607,427</u>
OPERATING INCOME	162,203	37,058
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	5,673	3,852
Gain (Loss) on Disposition of Equipment	13,592	-
Sale of Scrap	-	-
Total Non-Operating Revenues (Expenses)	<u>19,265</u>	<u>3,852</u>
Net Income Before Transfers	181,468	40,910
Transfers In	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$181,468</u>	<u>\$40,910</u>
TOTAL NET POSITION - JANUARY 1		
TOTAL NET POSITION - JUNE 30		

These statements should be read in conjunction with the Management Discussion and Analysis in the June 2017 Financial Report.

YEAR TO DATE			
JUNE 2017	JUNE 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$1,160,558	\$1,122,200	\$38,358	3.4%
1,118,945	2,306,597	(1,187,652)	-51.5%
553,130	414,572	138,558	33.4%
28,441	21,040	7,401	35.2%
58,862	54,232	4,630	8.5%
2,919,936	3,918,641	(998,705)	-25.5%
1,313,336	1,327,551	(14,215)	-1.1%
23,565	20,575	2,990	14.5%
1,336,901	1,348,126	(11,225)	-0.8%
152,230	151,626	604	0.4%
708,062	705,772	2,290	0.3%
1,762,356	1,508,489	253,867	16.8%
3,959,549	3,714,013	245,536	6.6%
(1,039,613)	204,628	(1,244,241)	-608.1%
85,415	87,629	(2,214)	-2.5%
121,295	152,768	(31,473)	-20.6%
12,513	6,875	5,638	82.0%
219,223	247,272	(28,049)	-11.3%
(820,390)	451,900	(1,272,290)	-281.5%
-	2,181	(2,181)	-100.0%
(820,390)	454,081	(\$1,274,471)	-280.7%
45,581,697	44,366,741		
<u>\$44,761,307</u>	<u>\$44,820,822</u>		

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	JUNE 30, 2017	JUNE 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash From Customers	\$3,166,086	\$4,728,852
Cash Paid to Suppliers	(1,321,618)	(1,751,440)
Cash Paid to Employees	(1,570,806)	(1,435,727)
Net Cash Provided by Operating Activities	273,662	1,541,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, Net	(1,218,028)	(1,588,619)
Disposition of Equipment/Scrap.....	133,808	159,643
Net Cash Used in Financing Activities	(1,084,220)	(1,428,976)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	85,415	87,629
Net Cash Provided By Investing Activities	85,415	87,629
Net Change in Cash and Equity in Pooled Investments	(725,143)	200,338
Cash and Equity in Pooled Investments at January 1	19,808,702	22,238,453
Cash and Equity in Pooled Investments at June 30	<u>\$19,083,559</u>	<u>\$22,438,791</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.

	YEAR TO DATE	
	JUNE 30, 2017	JUNE 30, 2016
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	(\$1,039,613)	\$204,628
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,762,356	1,508,489
Accounts Receivable	213,758	43,820
Interdivision Receivable	32,392	766,391
Materials and Supplies	(1,891)	10,156
Accounts Payable & Other	(587,715)	(295,157)
Interdivision Payable	(103,224)	(785,250)
Absences Payable	(2,401)	88,608
Total Adjustments	1,313,275	1,337,057
Net Cash Provided by Operating Activities	<u>\$273,662</u>	<u>\$1,541,685</u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

EQUITY DISTRIBUTION AS OF JUNE 30, 2017

	TACOMA POWER	TACOMA WATER	TACOMA RAIL	TOTAL
Balance January 1, 2017	\$30,343,339	\$13,713,445	\$1,524,913	\$45,581,697
Contributions During Year	-	-	-	-
Equity Contrib. at June 30, 2017 ..	30,343,339	13,713,445	1,524,913	45,581,697
Current Year Operations:				
Total Operating Revenue *	1,943,776	878,475	97,685	2,919,936
Less: Repairs & Servicing Expense *	889,964	402,212	44,725	1,336,901
Administration Expense ** ...	643,470	187,096	29,726	860,292
Depreciation Expense	1,329,497	382,059	50,800	1,762,356
Total Expenses	2,862,931	971,367	125,251	3,959,549
Net Operating Revenue	(919,155)	(92,892)	(27,566)	(1,039,613)
Add: Other Income ***	145,915	65,964	7,344	219,223
Net Operating Results	(773,240)	(26,928)	(20,222)	(820,390)
Total Equity	<u>\$29,570,099</u>	<u>\$13,686,517</u>	<u>\$1,504,691</u>	<u>\$44,761,307</u>

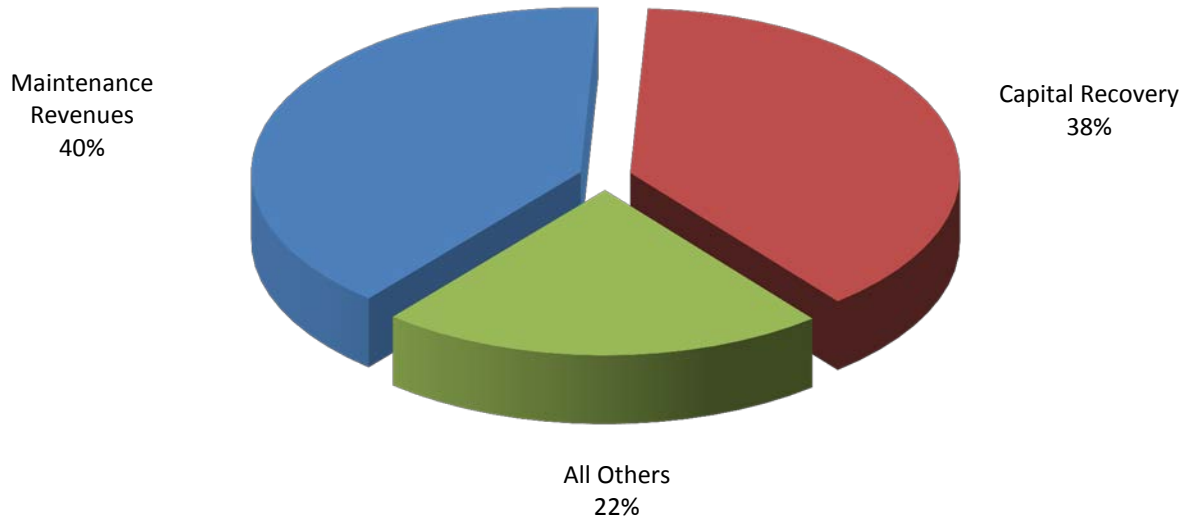
* Allocated to each division based on total receipts from the divisions.

** Allocated to each division based on vehicle count.

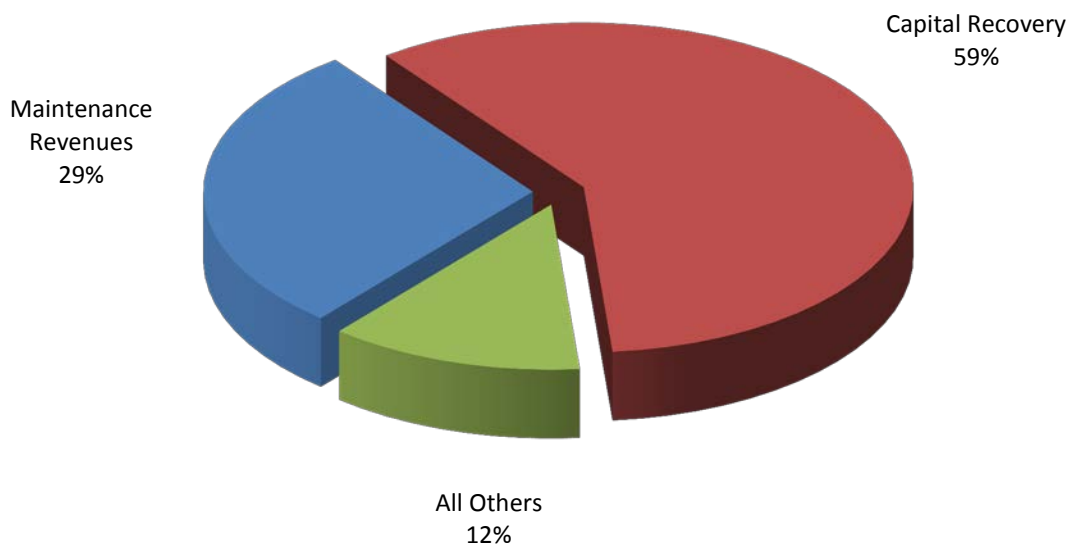
*** Allocated to each division based on total equity in the Fund.

Supplemental Data

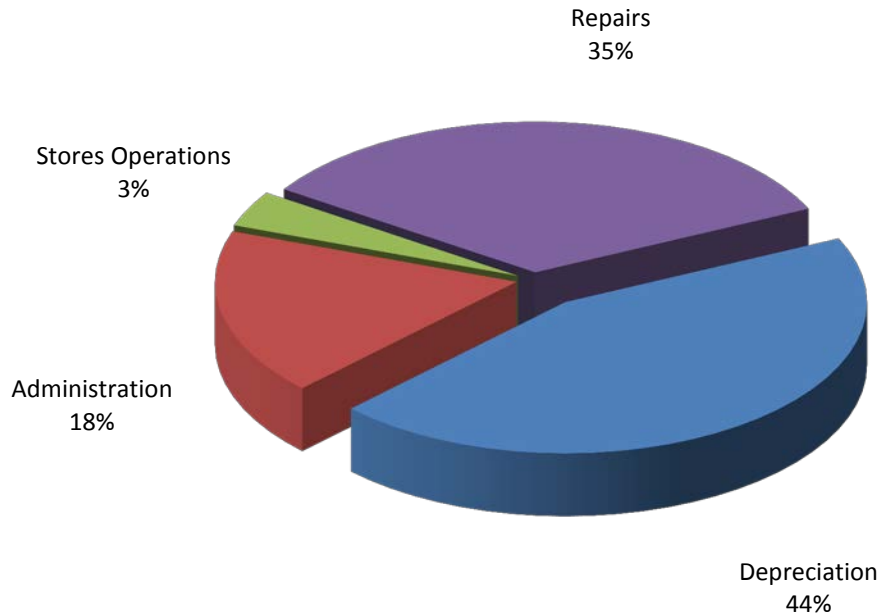
TOTAL OPERATING REVENUES
Year to Date - June 2017 (\$2,919,936)



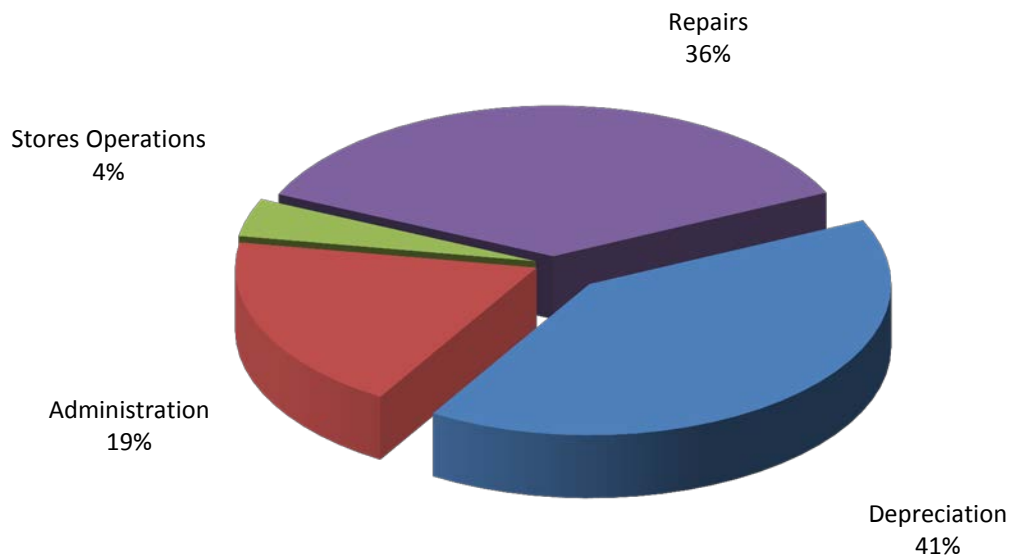
TOTAL OPERATING REVENUES
Year to Date - June 2016 (\$3,918,641)



TOTAL OPERATING EXPENSES
Year to Date - June 2017 (\$3,959,549)



TOTAL OPERATING EXPENSES
Year to Date - June 2016 (\$3,714,013)





The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.

JUNE

TACOMA POWER

2017

**FINANCIAL
REPORT**



Public Utility Board

MONIQUE TRUDNOWSKI
Chair

WOODROW JONES
Vice-Chair

KAREN LARKIN
Secretary

BRYAN FLINT
Member

MARK PATTERSON
Member

WILLIAM A. GAINES
Director of Utilities/CEO

CHRIS ROBINSON
Power Superintendent/COO

ANDREW CHERULLO
Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

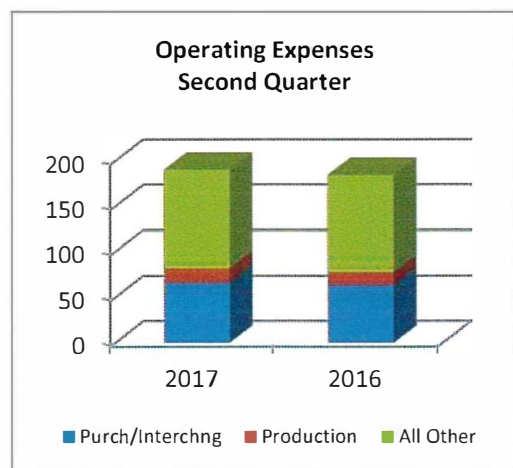
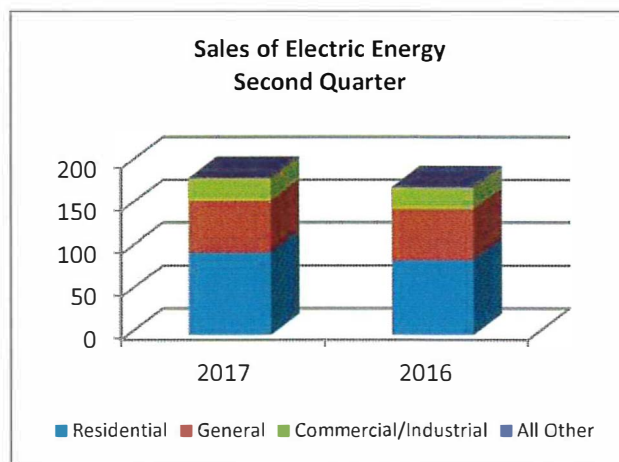
MANAGEMENT DISCUSSION AND ANALYSIS

Summary

Tacoma Power's operating income at the end of the second quarter of 2017 was \$46.5 million compared to \$40.9 million a year earlier. Operating revenues increased \$11.5 million (5.1%) compared to the prior year. Operating expenses increased \$5.9 million (3.2%). Non-operating income decreased \$0.5 million (8.9%) resulting in net income of \$35.4 million in 2017 compared to \$24.5 million in 2016.

Revenues

In the second quarter of 2017, total electric energy sales increased \$11.1 million compared with the same period a year earlier. Sales to residential customers increased \$9.0 million (10.3%) primarily due to an increase in consumption. Revenues from commercial, general, and industrial customers increased \$1.9 million also primarily due to consumption.



Expenses

Second quarter 2017 operating expenses were \$190.1 million, up \$5.9 million (3.2%) from 2016.

Hydraulic power production expense increased \$1.4 million (12.0%). The greatest increases were recognized in the areas of salaries and wages, operating supplies, and external contract services. Purchased power increased \$2.8 million (4.4%) primarily due to \$1.3 million in credits received in

2017 for the Energy Conservation Agreement (ECA), compared to \$3.6 million in credits the second quarter of 2016.

Cash from capital contributions increased \$7.9 million (294.5%) primarily due to payments from Puget Sound Energy for utility installation at the Taylor substation.

William A. Gaines
Director of Utilities/CEO

Andrew Cherullo
Finance Director

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION
Doing Business As

TACOMA POWER

TABLE OF CONTENTS

Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA POWER

STATEMENTS OF NET POSITION - June 30, 2017 AND June 30, 2016

ASSETS AND DEFERRED OUTFLOWS	2017	2016
UTILITY PLANT		
Electric Plant in Service	\$2,005,331,894	\$1,906,467,713
Less Depreciation and Amortization	(1,025,299,870)	(971,853,011)
Total	980,032,024	934,614,702
Construction Work in Progress	50,858,468	77,323,590
Net Utility Plant	1,030,890,492	1,011,938,292
NON-UTILITY PROPERTY	182,051	182,051
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2010B Construction Fund	-	1,369,288
2013 Construction Fund	3	33,639,296
2015 Construction Fund	8,652,528	223,943
Provision for Debt Service	14,982,157	15,877,907
Special Bond Reserves	4,997,639	4,997,639
Wynoochee Reserve--State of Washington	2,579,256	2,553,882
Total Restricted Assets	31,211,583	58,661,955
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	181,849,112	170,497,898
Customers' and Contractors' Deposits	2,667,713	2,932,577
Conservation Loan Fund	3,640,804	3,514,514
Rate Stabilization Fund	48,000,000	48,000,000
Receivables:		
Customers	17,928,032	15,716,271
Accrued Unbilled Revenue	28,587,295	29,427,771
Others	11,651,363	11,551,865
Provision for Uncollectibles	(2,339,236)	(1,580,951)
Materials and Supplies	6,939,698	6,290,896
Prepayments and Other	5,966,633	5,370,150
Total Current Assets	304,891,414	291,720,991
OTHER ASSETS		
Regulatory Asset - Conservation	48,749,366	46,554,413
Net Pension Asset	-	3,823,476
Conservation Loan Fund Receivables	2,592,268	1,397,052
Total Other Assets	51,341,634	51,774,941
Total Assets	1,418,517,174	1,414,278,230
DEFERRED OUTFLOWS		
Deferred Outflow for Pensions	39,469,454	9,077,586
Unamortized Loss on Refunding Bonds	-	949,968
Total Deferred Outflows	39,469,454	10,027,554
TOTAL ASSETS AND DEFERRED OUTFLOWS.....	\$1,457,986,628	\$1,424,305,784

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	2017	2016
NET POSITION		
Net Investment in Capital Assets	\$587,865,291	\$597,170,549
Restricted for:		
Wynoochee Reserve - State of Washington	2,579,256	2,553,882
Debt Service	5,787,502	6,365,002
Net Pension Asset	-	3,823,476
Unrestricted	261,207,066	240,506,269
TOTAL NET POSITION	857,439,115	850,419,178
LONG-TERM DEBT		
2010B Electric System Refunding Bonds	147,070,000	147,070,000
2010C Electric System Refunding Bonds	24,185,000	24,185,000
2013A Electric System Rev & Refunding Bonds	139,885,000	151,460,000
2013B Electric System Rev & Refunding Bonds	35,620,000	35,620,000
Total Bonded Indebtedness	346,760,000	358,335,000
Less: Unamortized Bond Premiums	18,272,420	19,814,928
Net Bonded Indebtedness	365,032,420	378,149,928
Line of Credit	80,250,000	65,250,000
Total Long-Term Debt	445,282,420	443,399,928
CURRENT LIABILITIES		
Salaries and Wages Payable	1,779,279	4,923,438
Taxes and Other Payables	10,816,268	13,326,445
Purchases and Transmission of Power Accrued	9,927,099	11,366,725
Interest Payable	9,194,655	9,512,905
Customers' Deposits	2,716,017	2,884,790
Current Portion of Long-Term Debt	11,575,000	12,730,000
Current Accrued Compensated Absences	1,075,771	1,058,072
Total Current Liabilities	47,084,089	55,802,375
LONG TERM LIABILITIES		
Long Term Accrued Compensated Absences	9,681,941	9,522,650
Net Pension Liability	34,177,293	-
Other Long Term Liabilities	14,033,787	13,125,264
Total Long Term Liabilities	57,893,021	22,647,914
TOTAL LIABILITIES	550,259,530	521,850,217
DEFERRED INFLOWS		
Deferred Inflow for Pensions	2,287,983	4,036,389
Rate Stabilization	48,000,000	48,000,000
Total Deferred Inflows	50,287,983	52,036,389
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	\$1,457,986,628	\$1,424,305,784

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA POWER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2017 AND June 30, 2016

	June 2017	June 2016
OPERATING REVENUES		
Sales of Electric Energy	\$32,436,928	\$28,105,885
Other Operating Revenues	1,566,183	1,434,546
Click! Network Operating Revenues	2,198,543	2,142,124
Total Operating Revenue	<u>36,201,654</u>	<u>31,682,555</u>
OPERATING EXPENSES		
Production Expense		
Hydraulic Power Production	2,063,922	2,199,660
Other Production Expense	463,941	437,164
Total Expense Power Produced	<u>2,527,863</u>	<u>2,636,824</u>
Purchased Power	9,798,210	10,822,865
Total Production Expense	<u>12,326,073</u>	<u>13,459,689</u>
Transmission Expense	2,622,324	2,562,447
Distribution Expense	2,968,020	2,739,838
Click! Network Commercial Operations Expense .	2,129,015	2,196,306
Customer Accounts Expense (CIS)	1,176,329	1,200,001
Conservation and Other Customer Assistance ...	1,222,802	999,479
Taxes	2,042,272	1,965,345
Depreciation	4,741,098	4,623,642
Administrative and General	2,168,794	1,708,801
Total Operating Expenses	<u>31,396,727</u>	<u>31,455,548</u>
OPERATING INCOME (LOSS)	<u>4,804,927</u>	<u>227,007</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	242,677	222,733
Contribution to Family Need	(8,333)	(40,000)
Other Net Non-Op Revenues and Deductions	46,245	270,441
Interest on Long-Term Debt	(1,604,761)	(1,621,218)
Amort. of Debt Related Costs	124,051	(25,294)
Interest Charged to Construction	161,686	274,109
Total Non-Operating Revenues (Expenses) ..	<u>(1,038,435)</u>	<u>(919,229)</u>
Net Income (Loss) Before Capital Contributions and Transfers	3,766,492	(692,222)
Capital Contributions		
Cash	417,451	470,213
Donated Fixed Assets	-	67,328
BABs and CREBs Interest Subsidies	193,118	195,096
Transfers		
City Gross Earnings Tax	(2,801,922)	(2,375,851)
Transfers from (to) Other Funds	-	-
CHANGE IN NET POSITION	<u>\$1,575,139</u>	<u>(\$2,335,436)</u>
TOTAL NET POSITION - January 1		
TOTAL NET POSITION - June 30		

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
June 30, 2017	June 30, 2016		
\$213,775,595	\$202,640,107	\$11,135,488	5.5%
9,569,595	9,165,754	403,841	4.4%
13,251,672	13,304,357	(52,685)	-0.4%
<u>236,596,862</u>	<u>225,110,218</u>	<u>11,486,644</u>	5.1%
12,677,897	11,314,568	1,363,329	12.0%
2,652,534	2,629,302	23,232	0.9%
<u>15,330,431</u>	<u>13,943,870</u>	<u>1,386,561</u>	9.9%
66,155,599	63,389,172	2,766,427	4.4%
<u>81,486,030</u>	<u>77,333,042</u>	<u>4,152,988</u>	5.4%
15,066,892	15,824,920	(758,028)	-4.8%
15,224,589	15,846,719	(622,130)	-3.9%
12,542,008	12,840,730	(298,722)	-2.3%
7,208,477	6,828,079	380,398	5.6%
6,632,344	5,897,892	734,452	12.5%
10,896,860	10,407,983	488,877	4.7%
28,646,617	27,784,110	862,507	3.1%
12,430,396	11,458,543	971,853	8.5%
<u>190,134,213</u>	<u>184,222,018</u>	<u>5,912,195</u>	3.2%
<u>46,462,649</u>	<u>40,888,200</u>	<u>5,574,449</u>	13.6%
2,230,552	2,012,409	218,143	10.8%
(50,000)	(240,000)	190,000	-79.2%
301,523	830,690	(529,167)	-63.7%
(9,557,303)	(9,711,693)	154,390	-1.6%
744,305	(151,761)	896,066	590.4%
684,769	2,076,986	(1,392,217)	-67.0%
<u>(5,646,154)</u>	<u>(5,183,369)</u>	<u>(462,785)</u>	8.9%
40,816,495	35,704,831	5,111,664	14.3%
10,627,601	2,694,122	7,933,479	294.5%
6,436	101,201	(94,765)	-93.6%
1,840,884	1,842,861	(1,977)	-0.1%
(17,847,994)	(15,854,953)	(1,993,041)	12.6%
-	(2,181)	2,181	-100.0%
<u>35,443,422</u>	<u>24,485,881</u>	<u>10,957,541</u>	44.8%
<u>821,995,693</u>	<u>825,933,297</u>	<u>(3,937,604)</u>	-0.5%
<u><u>\$857,439,115</u></u>	<u><u>\$850,419,178</u></u>	<u><u>7,019,937</u></u>	

These statements should be read in conjunction with the Management Discussion and Analysis in the June 2017 Financial Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA POWER

SUMMARY OF REVENUES AND BILLINGS
June 30, 2017 AND June 30, 2016

	For the month of June 2017	For the month of June 2016
OPERATING REVENUE		
Sales of Electric Energy		
Residential	\$12,006,276	\$10,283,491
Commercial	2,279,720	2,159,350
General	10,501,157	9,654,499
Contract Industrial	1,958,628	1,841,206
Public Street and Highway Lighting	403,820	181,043
Sales to Other Electric Utilities	29,153	22,303
Total Sales to Customers	27,178,754	24,141,892
Bulk Power Sales	5,258,174	3,963,993
Total Sales of Electric Energy	32,436,928	28,105,885
Other Operating Revenue		
Rentals and Leases from Elect. Property ...	262,912	209,502
Wheeling	827,498	803,578
Service Fees and Other	475,773	421,466
Telecommunications Revenue	2,198,543	2,142,124
Total Other Operating Revenues	3,764,726	3,576,670
TOTAL OPERATING REVENUES	\$36,201,654	\$31,682,555
 BILLINGS (Number of Months Billed)		
Residential	163,699	162,698
Commercial	15,992	15,663
General	2,836	2,847
Contract Industrial	2	2
Public Streets and Highway Lighting	754	774
Sales to Other Utilities	1	1
TOTAL BILLINGS	183,284	181,985

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
June 30, 2017	June 30, 2016		
\$96,510,946	\$87,471,222	\$9,039,724	10.3%
15,410,940	14,595,229	815,711	5.6%
59,925,393	58,995,319	930,074	1.6%
10,582,304	10,447,550	134,754	1.3%
758,470	745,335	13,135	1.8%
228,080	181,976	46,104	25.3%
183,416,133	172,436,631	10,979,502	6.4%
30,359,462	30,203,476	155,986	0.5%
213,775,595	202,640,107	11,135,488	5.5%
1,727,457	1,696,618	30,839	1.8%
5,101,746	4,973,499	128,247	2.6%
2,740,392	2,495,637	244,755	9.8%
13,251,672	13,304,357	(52,685)	-0.4%
22,821,267	22,470,111	351,156	1.6%
\$236,596,862	\$225,110,218	\$11,486,644	5.1%
948,417	949,001	(584)	-0.1%
95,270	94,470	800	0.8%
15,469	16,097	(628)	-3.9%
12	12	-	0.0%
5,531	5,500	31	0.6%
6	6	-	0.0%
1,064,705	1,065,086	(381)	0.0%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA POWER

GROSS GENERATION REPORT - June 30, 2017 AND June 30, 2016

	For the month of June 2017	For the month of June 2016
KWH GENERATED, PURCHASED AND INTERCHANGED - Gross		
Generated - LaGrande	29,722,000	21,563,000
Generated - Alder	14,999,000	12,185,000
TOTAL NISQUALLY	<u>44,721,000</u>	<u>33,748,000</u>
Generated - Cushman No. 1	11,585,000	2,029,000
Generated - Cushman No. 2	17,516,000	1,815,000
TOTAL CUSHMAN	<u>29,101,000</u>	<u>3,844,000</u>
Generated - Mossyrock	135,378,000	88,445,000
Generated - Mayfield	80,822,000	50,946,000
TOTAL COWLITZ	<u>216,200,000</u>	<u>139,391,000</u>
Generated - Wynoochee	-	-
Generated - Hood Street	-	417,300
Tacoma's Share of Priest Rapids	2,859,000	2,469,000
Tacoma's Share of GCPHA	42,284,000	41,521,000
TOTAL KWH GENERATED - TACOMA SYSTEM	335,165,000	221,390,300
Purchased Power		
BPA Slice Contract	263,251,000	188,100,000
BPA Block Contract	105,973,000	104,412,000
Interchange Net	(362,574,000)	(166,097,000)
TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED ..	<u>341,815,000</u>	<u>347,805,300</u>
Losses	4,004,032	4,250,832
Baldi Replacement	17,781	119,862
Ketron	15,924	14,744
NT PC Mutuals Schedules	(1,780,000)	(1,760,000)
PC Mutual Inadvertent	(141,896)	(188,936)
TACOMA SYSTEM FIRM LOAD	<u>343,930,841</u>	<u>350,241,802</u>
Maximum Kilowatts (System Firm Load)	586,892	636,744
Average Kilowatts (System Firm Load)	462,273	485,831
PIERCE COUNTY MUTUAL LOAD	92,955,000	93,572,000
KWH BILLED		
Residential Sales	127,700,721	115,804,603
Commercial Sales	25,267,031	24,344,781
General	164,106,937	161,270,144
Contract Industrial	44,750,220	44,031,540
Public Street and Highway Lighting	8,978,869	4,115,924
Sales to Other Electric Utilities	521,100	417,600
TOTAL FIRM	<u>371,324,878</u>	<u>349,984,592</u>
Bulk Power Sales	<u>371,803,000</u>	<u>234,265,000</u>
TOTAL KWH BILLED	<u><u>743,127,878</u></u>	<u><u>584,249,592</u></u>

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
June 30 2017	June 30 2016		
228,466,000	217,696,000	10,770,000	4.9%
123,326,000	148,833,000	(25,507,000)	-17.1%
351,792,000	366,529,000	(14,737,000)	-4.0%
70,678,000	81,619,000	(10,941,000)	-13.4%
110,662,000	137,875,000	(27,213,000)	-19.7%
181,340,000	219,494,000	(38,154,000)	-17.4%
788,089,000	727,224,000	60,865,000	8.4%
552,217,000	465,632,000	86,585,000	18.6%
1,340,306,000	1,192,856,000	147,450,000	12.4%
18,293,000	20,978,000	(2,685,000)	-12.8%
767,700	1,756,900	(989,200)	-56.3%
16,646,000	15,035,000	1,611,000	10.7%
98,569,000	129,235,000	(30,666,000)	-23.7%
2,007,713,700	1,945,883,900	61,829,800	3.2%
1,377,905,000	1,263,552,000	114,353,000	9.1%
932,193,000	799,977,000	132,216,000	16.5%
(1,766,476,000)	(1,575,874,000)	(190,602,000)	0.0%
2,551,335,700	2,433,538,900	117,796,800	4.8%
20,870,173	25,581,293	(4,711,120)	-18.4%
507,614	1,138,882	(631,268)	-55.4%
165,890	124,251	41,639	33.5%
(17,159,000)	(15,180,000)	(1,979,000)	0.0%
23,849,722	817,577	23,032,145	0.0%
2,579,570,099	2,446,020,903	133,549,196	5.5%
799,625,000	729,846,000	69,779,000	9.6%
1,154,599,691	1,051,859,412	102,740,279	9.8%
176,001,603	167,613,892	8,387,711	5.0%
996,784,506	997,515,502	(730,996)	-0.1%
244,952,820	244,876,100	76,720	0.0%
16,652,029	16,912,512	(260,483)	-1.5%
4,214,700	3,402,000	812,700	23.9%
2,593,205,349	2,482,179,418	111,025,931	4.5%
1,949,841,000	1,752,490,000	197,351,000	11.3%
4,543,046,349	4,234,669,418	308,376,931	7.3%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA POWER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	June 30, 2017	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$239,378,128	\$230,091,020
Cash Paid to Suppliers	(109,484,301)	(92,039,635)
Cash Paid to Employees	(57,548,712)	(57,719,737)
Taxes Paid	(11,568,374)	(10,771,556)
Conservation Loans	(49,798)	25,985
Net Cash from Operating Activities	60,726,943	69,586,077
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(17,847,994)	(15,854,953)
Transfer to Fleet Services Fund	-	(2,181)
Transfer to Family Need Fund	(50,000)	(240,000)
Net Cash from Non-Capital Financing Activities ..	(17,897,994)	(16,097,134)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures	(25,436,837)	(34,733,341)
Proceeds from Long-Term Debt	-	15,000,000
Principal Payments on Long-Term Debt	(12,730,000)	(14,735,000)
Interest Paid	(9,875,553)	(10,079,418)
BABs and CREBs Interest Subsidies	1,840,884	1,842,861
Contributions in Aid of Construction	10,627,601	2,694,122
Net Cash from Capital and Related Financing Activities	(35,573,905)	(40,010,776)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	2,230,552	2,012,409
Other Net Non-Op Revenues and Deductions	301,523	830,690
Net Cash from Investing Activities	2,532,075	2,843,099
Net Increase Change in Cash and Equity in Pooled Investments	9,787,119	16,321,266
Cash and Equity in Pooled Investments at January 1 ..	257,582,093	267,285,678
Cash and Equity in Pooled Investments at June 30.....	267,369,212	\$283,606,944

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA POWER

STATEMENTS OF CASH FLOWS

	June 30, 2017	June 30, 2016
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Net Operating Income	\$46,462,649	\$40,888,200
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	28,646,617	27,784,110
Amortization of Regulatory Assets	3,759,641	3,246,170
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	2,781,268	4,980,802
Conservation Loans Receivable	(49,798)	25,985
Interfund Receivables	2,226,220	1,484,313
Inventory, Materials and Supplies, and Other	946,759	414,602
Taxes and Other Payables	(16,641,418)	(7,030,324)
Purchased Power Payable	(2,712,043)	(646,753)
Salaries and Wages Payable	(57,663)	3,494,091
Customers' Deposits	(56,378)	(224,018)
Regulatory Assets - Conservation	(2,438,002)	(3,506,660)
Interfund Payables	(2,140,909)	(1,324,441)
Total Adjustments	<u>14,264,294</u>	<u>28,697,877</u>
Net Cash from Operating Activities	<u><u>\$60,726,943</u></u>	<u><u>\$69,586,077</u></u>
 Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$31,211,583	\$58,661,955
Cash and Equity in Pooled Investments in Operating Funds.....	<u>236,157,629</u>	<u>224,944,989</u>
Cash and Equity in Pooled Investments at June 30	<u><u>\$267,369,212</u></u>	<u><u>\$283,606,944</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
CLICK! NETWORK
COMMERCIAL OPERATIONS
OPERATIONAL SUMMARY - June 30, 2017

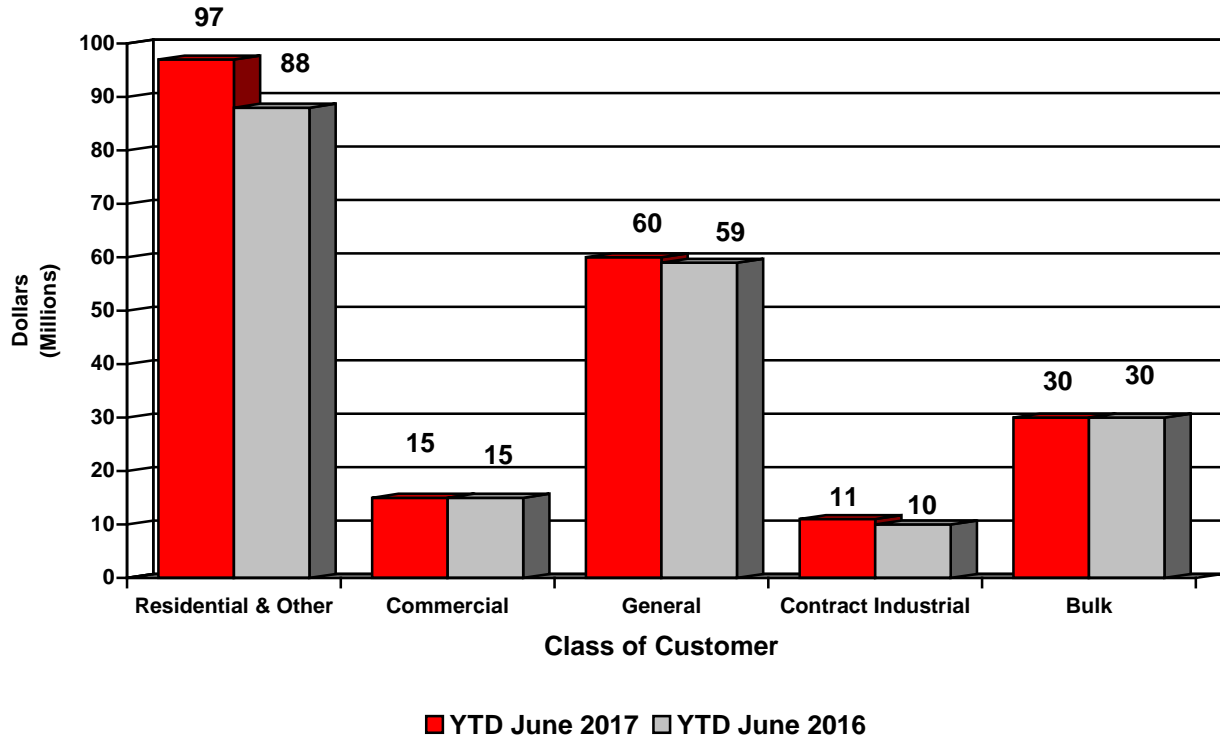
	June 2017	June 2016
TELECOMMUNICATIONS REVENUE		
CATV	\$1,477,145	\$1,435,571
Broadband	73,850	95,593
ISP	625,827	584,942
Interdepartmental	21,721	26,018
Total Operating Revenue	<u>2,198,543</u>	<u>2,142,124</u>
TELECOMMUNICATIONS EXPENSE-COMMERCIAL		
Administration & Sales Expense		
Salaries & Wages Expense	271,113	268,135
General Expense	38,092	50,794
Contract Services	1,116,631	1,231,044
IS & Intergovernmental Services	139,383	102,782
Fleet Services	803	137
Capitalized A & G Expense	(174)	(3,081)
Total Admin. & Sales Expense	<u>1,565,848</u>	<u>1,649,811</u>
Operations & Maintenance Expense ...		
Salaries & Wages Expense	446,996	428,642
General Expense	19,331	54,494
Contract Services	57,292	31,943
IS & Intergovernmental Services	2,698	3,012
Fleet Services	45,403	40,035
New Connect Capital	(8,553)	(11,631)
Total Oper. & Maint. Expense	<u>563,167</u>	<u>546,495</u>
Total Telecommunications Expense .	2,129,015	2,196,306
Net Revenues (Expenses) Before Taxes and Depreciation and Amortization	69,528	(54,182)
Taxes	306,112	296,245
Depreciation and Amortization	<u>204,430</u>	<u>222,120</u>
	510,542	518,365
NET OPERATING REVENUES (EXPENSES)	<u>(441,014)</u>	<u>(572,547)</u>

YEAR TO DATE			
June 30 2017	June 30 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$8,896,768	\$9,065,375	(\$168,607)	-1.9%
546,307	588,749	(42,442)	-7.2%
3,678,129	3,496,160	181,969	5.2%
130,468	154,073	(23,605)	-15.3%
<u>13,251,672</u>	<u>13,304,357</u>	<u>(52,685)</u>	-0.4%
1,612,297	1,635,757	(23,460)	-1.4%
211,801	335,725	(123,924)	-36.9%
6,620,584	6,730,236	(109,652)	-1.6%
791,897	701,797	90,100	12.8%
3,577	1,778	1,799	101.2%
(18,276)	(11,224)	(7,052)	-62.8%
<u>9,221,880</u>	<u>9,394,069</u>	<u>(172,189)</u>	-1.8%
2,731,953	2,749,135	(17,182)	-0.6%
189,211	195,233	(6,022)	-3.1%
279,533	334,463	(54,930)	-16.4%
25,209	17,624	7,585	43.0%
144,277	207,958	(63,681)	-30.6%
(50,055)	(57,752)	7,697	13.3%
<u>3,320,128</u>	<u>3,446,661</u>	<u>(126,533)</u>	-3.7%
12,542,008	12,840,730	(298,722)	-2.3%
709,664	463,627	246,037	53.1%
1,835,938	1,826,028	9,910	0.5%
1,232,839	1,355,218	(122,379)	-9.0%
<u>3,068,777</u>	<u>3,181,246</u>	<u>(112,469)</u>	
<u>(2,359,113)</u>	<u>(2,717,619)</u>	<u>358,506</u>	13.2%

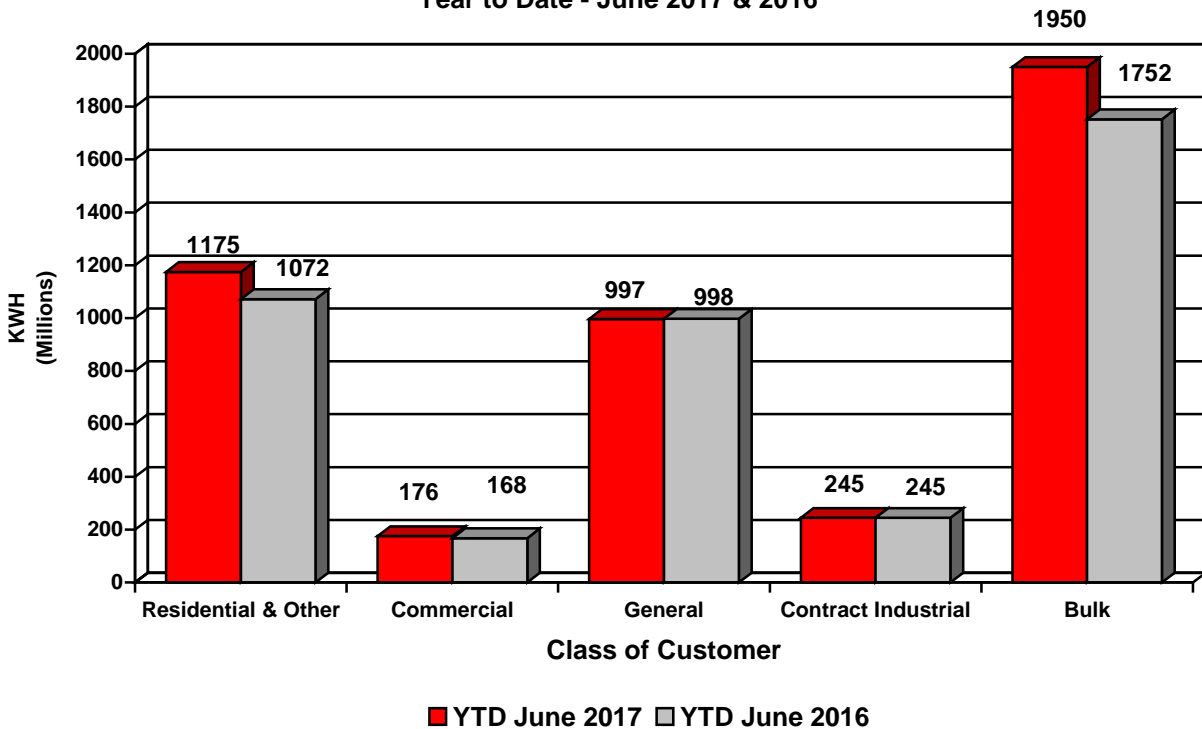
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Supplemental Data

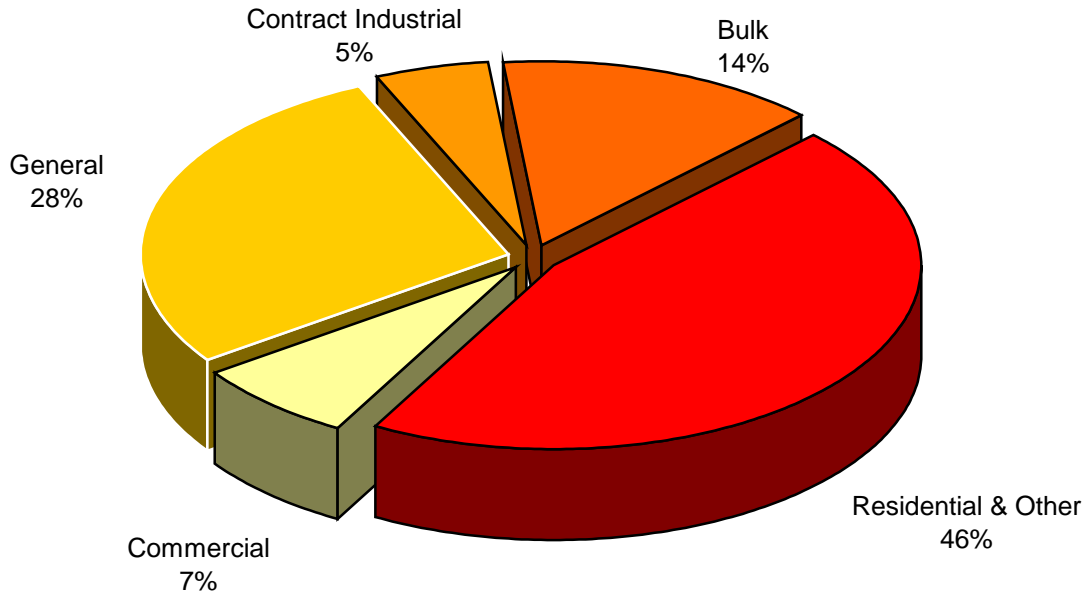
SALES OF ELECTRIC ENERGY
Year to Date - June 2017 & 2016



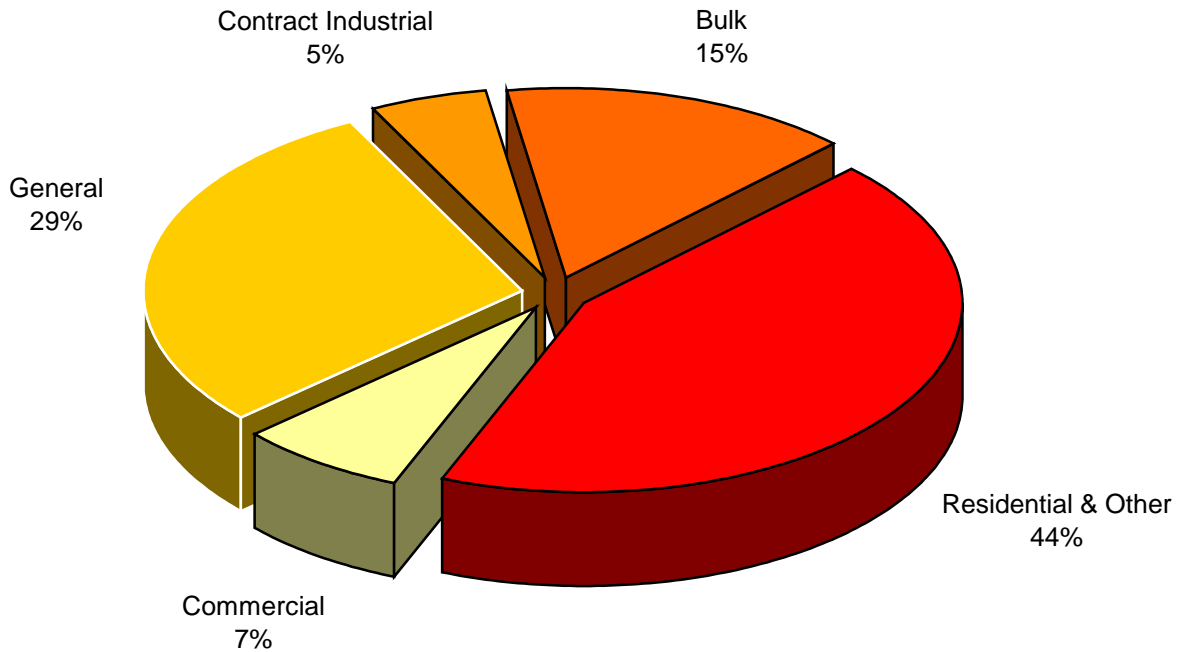
TOTAL POWER BILLED
Year to Date - June 2017 & 2016



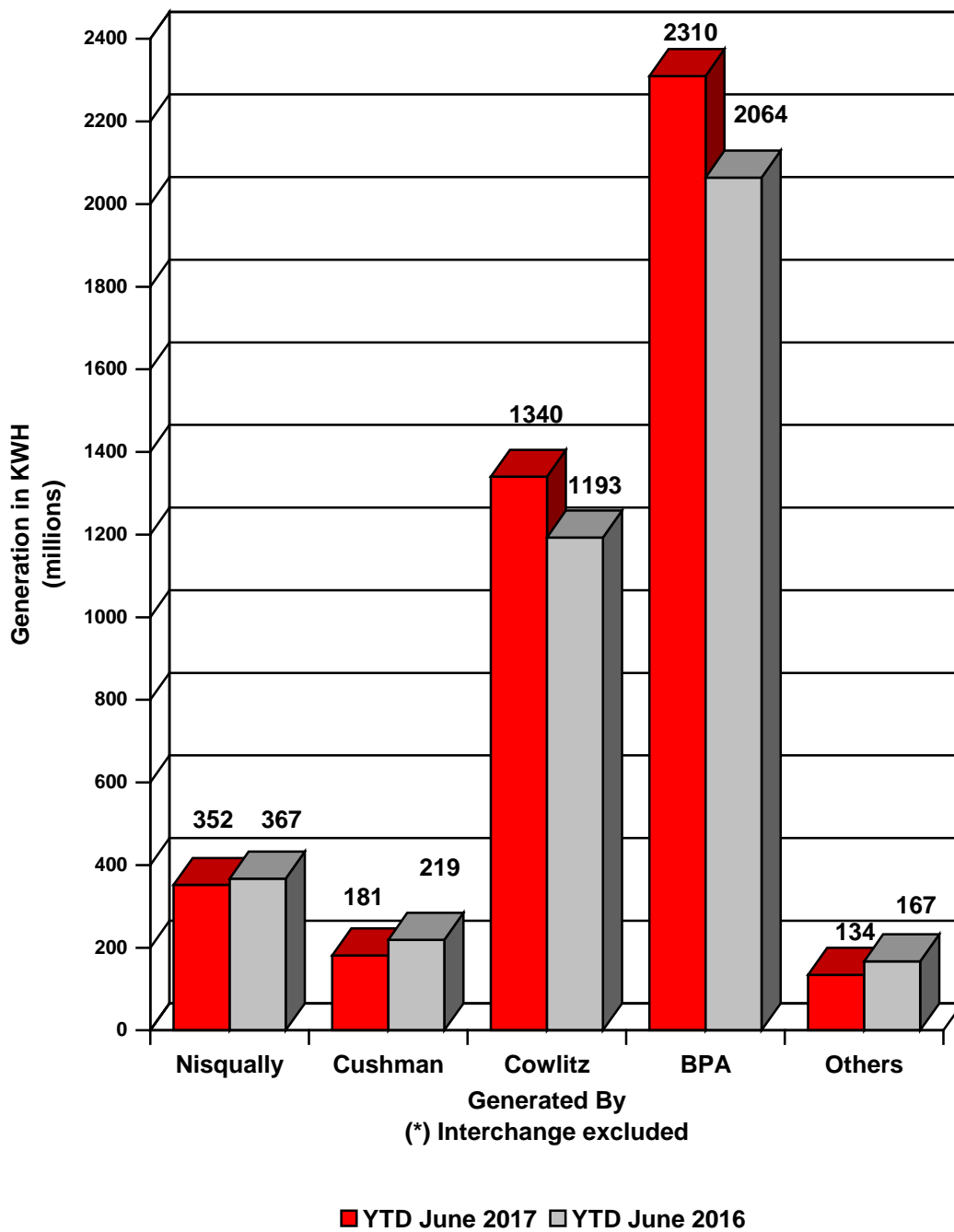
SALES OF ELECTRIC ENERGY
Year to Date - June 2017 (\$213,775,595)



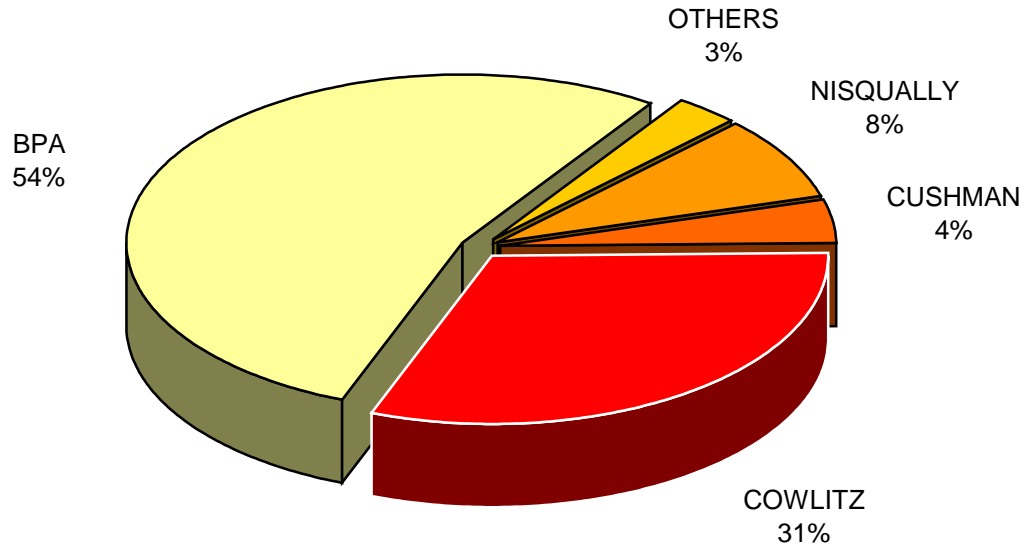
SALES OF ELECTRIC ENERGY
Year to Date - June 2016 (\$202,640,107)



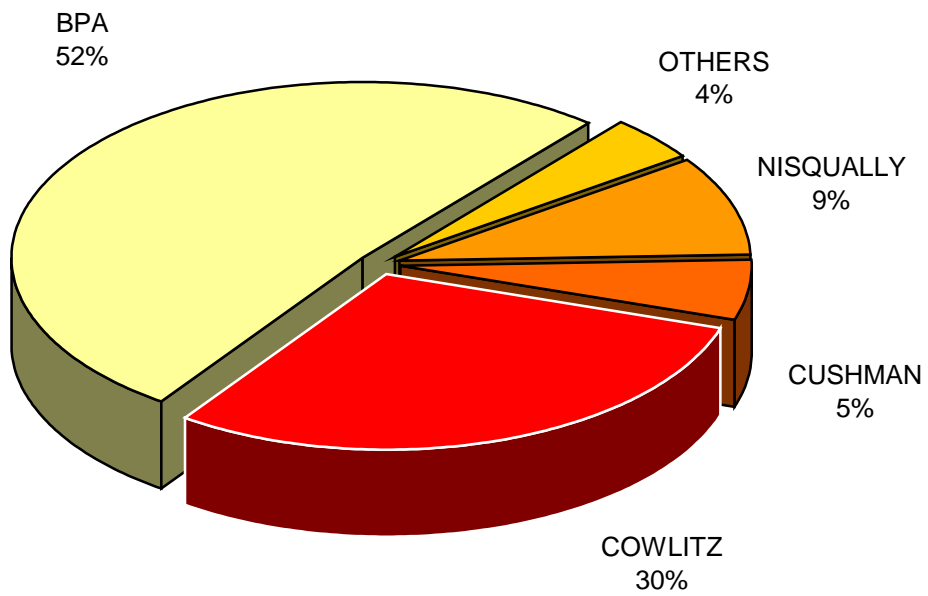
POWER SOURCES (*) **Year to Date June 2017 & 2016**



POWER SOURCES (*)
Year to Date - June 2017

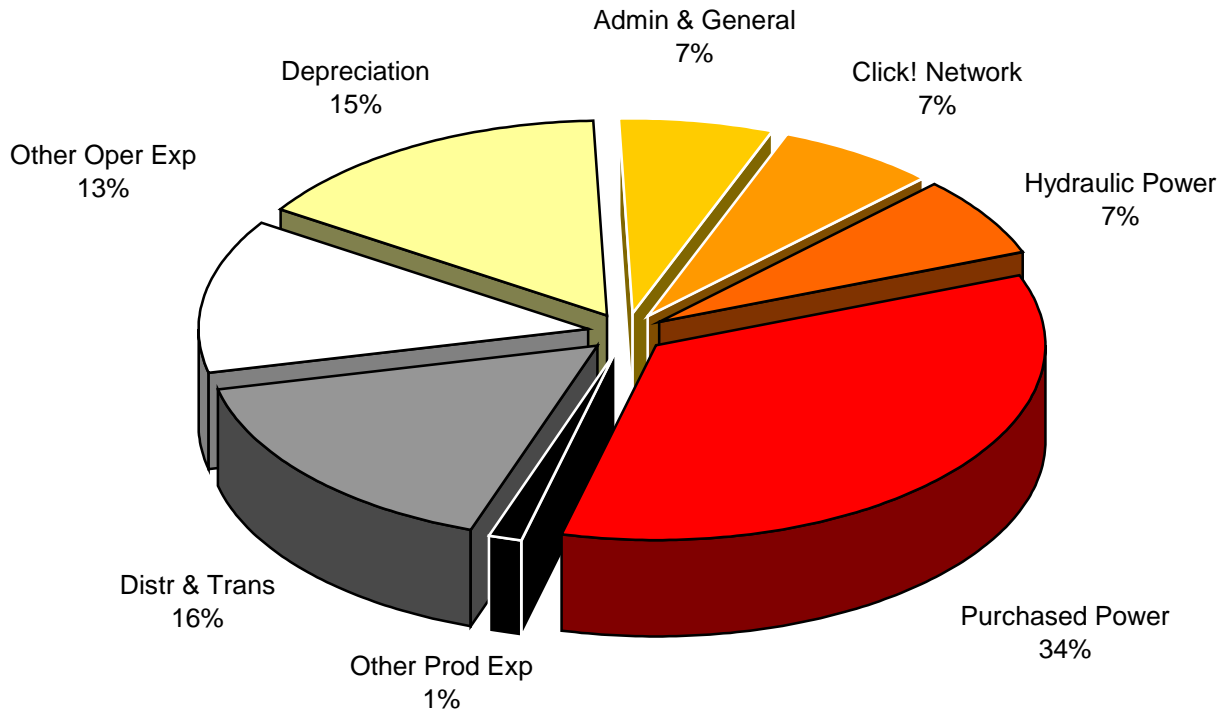


POWER SOURCES (*)
Year to Date - June 2016

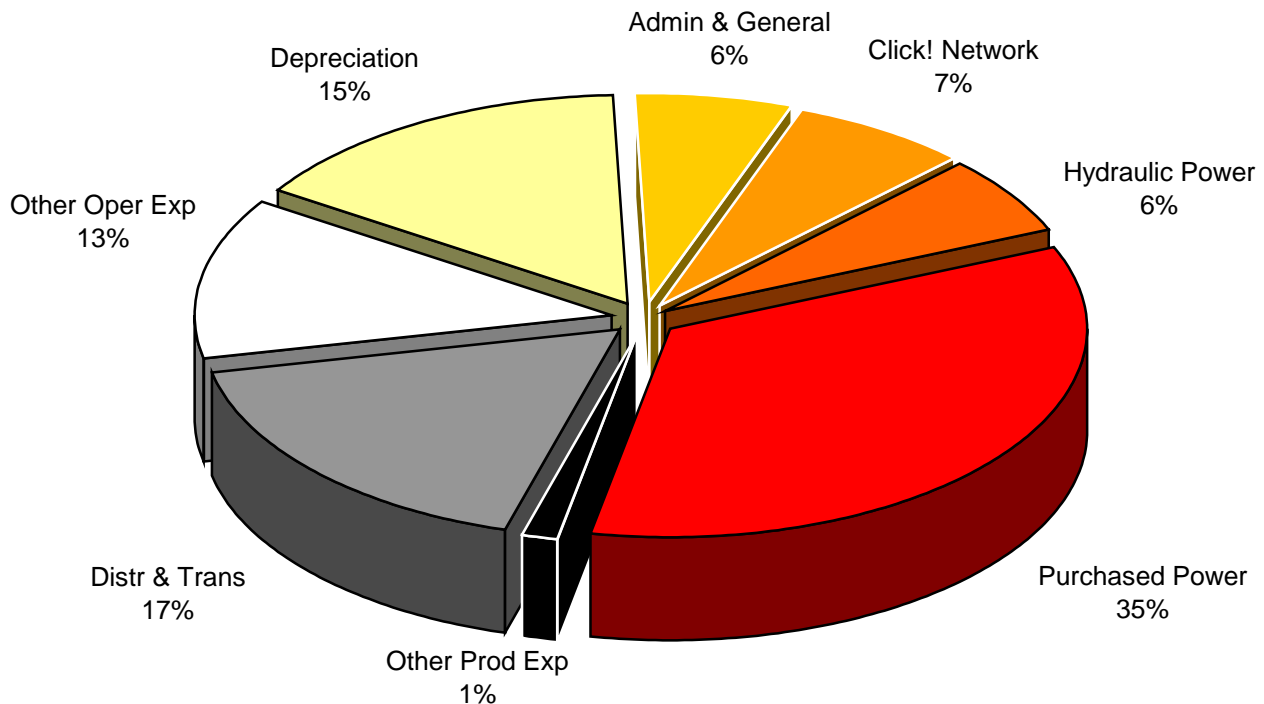


(*) Interchange excluded

TOTAL OPERATING EXPENSES *
Year to Date - June 2017 (\$190,134,213)



TOTAL OPERATING EXPENSES *
Year to Date - June 2016 (\$184,222,018)



* City Gross Earnings Taxes are not included in Total Operating Expenses.



The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.

JUNE

TACOMA RAIL

2017

**FINANCIAL
REPORT**



Public Utility Board

MONIQUE TRUDNOWSKI

Chair

WOODROW JONES

Vice-Chair

KAREN LARKIN

Secretary

BRYAN FLINT

Member

MARK PATTERSON

Member

WILLIAM A. GAINES

Director of Utilities/CEO

DALE KING

Rail Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

MANAGEMENT DISCUSSION AND ANALYSIS

Tacoma Rail Beltline Division (Tacoma Rail) is reporting 2017 year to date net operating income of \$1.8 million compared to \$1.9 million in 2016. Operating revenues increased \$811,000 (5.3%), and operating expenses increased \$945,000 (7.0%) year to date in 2017 compared to 2016.

Operating revenues were \$16.2 million at the end of second quarter 2017, compared to \$15.4 million in 2016. Total switching revenues increased \$674,000 primarily due to increases as shown in the table below.

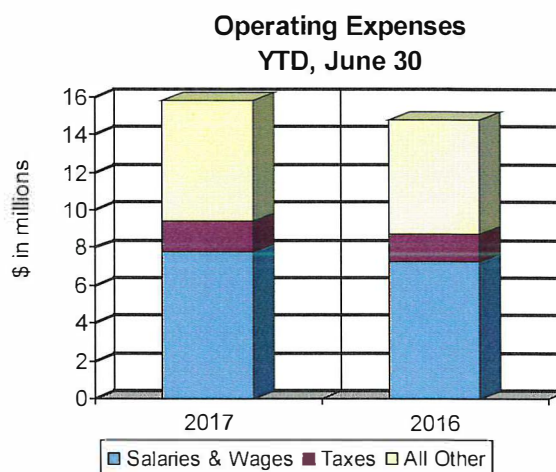
Activity Types	Rail Cars				Switching Revenues			
	2017	2016	Var	%Chg	2017	2016	Var	%Chg
Intermodal Line Hauls	35,096	36,421	(1,325)	-3.6%	\$ 5,963	\$ 6,064	\$ (101)	-1.7%
Commercial Line Hauls	14,542	15,281	(739)	-4.8%	6,674	6,468	206	3.2%
Capital Div. Line Hauls	328	459	(131)	-28.5%	137	196	(59)	-30.1%
Miscellaneous Switches	8,565	1,556	7,009	450.4%	1,406	779	627	80.5%
Total Line Hauls	58,531	53,717	4,814	9.0%	\$ 14,180	\$ 13,507	\$ 673	5.0%

Demurrage and other operating revenues increased \$138,000 primarily due to increased railcar dwell and locomotive services.

Total operating expenses were \$14.4 million year to date in 2017, compared to \$13.5 million in 2016.

Salaries and wages were \$562,000 higher due to cost of living adjustments and increased overtime.

Supplies and expenses increased \$289,000 primarily due to an increase in volume incentives.



Depreciation increased \$81,000 due to an increase in depreciable assets of \$3.5 million compared to the same period in 2016.

Tacoma Rail's working capital ratios year to date of 2017 and 2016 were 3.6 and 3.8, respectively.

William A. Gaines
Director of Utilities/CEO

Andrew Cherullo
Finance Director

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES, BELT LINE DIVISION
Doing Business As

TACOMA RAIL

TABLE OF CONTENTS

Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.

STATEMENTS OF NET POSITION	1 - 2
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SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES	5 - 6
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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

STATEMENTS OF NET POSITION

ASSETS	JUNE 30,	
	2017	2016
CAPITAL ASSETS		
Road and Equipment Property	\$44,810,611	\$41,312,989
Less Accumulated Depreciation	(19,665,559)	(18,111,658)
Total	25,145,052	23,201,331
Construction Work in Progress	2,848,098	1,757,519
Net Capital Assets	27,993,150	24,958,850
SPECIAL FUNDS		
Cash and Equity in Pooled Investments:		
Debt Service Funds	-	65,104
Total Special Funds	-	65,104
CURRENT ASSETS		
Cash & Equity in Pooled Investments	10,404,348	11,985,210
Customer Accounts Receivable	2,886,841	2,982,171
Prepayments	1,553,547	1,668,306
Materials and Supplies Inventory.....	1,037,364	985,726
Total Current Assets	15,882,100	17,621,413
TOTAL ASSETS	\$43,875,250	\$42,645,367

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.

NET POSITION AND LIABILITIES	JUNE 30,	JUNE 30,
	2017	2016
NET POSITION		
Net Investment in Capital Assets.....	\$21,824,327	\$18,241,862
Unrestricted	8,278,934	10,187,103
TOTAL NET POSITION	30,103,261	28,428,965
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
2006 Senior Lien Revenue Bond	-	255,008
State Loans.....	5,379,719	5,651,589
Total Long-Term Liabilities	5,379,719	5,906,597
CURRENT LIABILITIES		
Accounts Payable	563,545	489,097
Wages Payable	159,519	538,022
Unemployment and other Tax Payables	244,758	237,800
Volume Incentive Payable	2,500,001	2,500,001
Current Portion of Long Term Debt	789,104	810,391
Interest Payable	-	2,562
Current Portion of Compensated Absences	111,516	113,117
Total Current Liabilities	4,368,443	4,690,990
LONG-TERM LIABILITIES		
On the Job Injury Reserve	779,260	724,403
Long Term Portion of Compensated Absences	1,003,644	1,018,056
Other Long-Term Liabilities	2,240,923	1,876,356
Total Long-Term Liabilities	4,023,827	3,618,815
TOTAL LIABILITIES	13,771,989	14,216,402
TOTAL NET POSITION AND LIABILITIES	\$43,875,250	\$42,645,367

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	JUNE 2017	JUNE 2016
OPERATING REVENUES		
Switching Revenues	\$1,901,387	\$2,143,595
Demurrage and Other Operating Revenues	282,038	291,464
Total Operating Revenues	<u>2,183,425</u>	<u>2,435,059</u>
OPERATING EXPENSES		
Maintenance of Way and Structures		
Salaries and Wages	70,508	76,321
Supplies and Expense	101,564	135,117
Mechanical		
Salaries and Wages	168,629	166,654
Supplies and Expense	215,809	192,774
Operations		
Salaries and Wages	789,825	736,522
Supplies and Expense	163,179	113,828
Administration		
Salaries and Wages	188,564	186,550
Supplies and Expense	228,120	510,062
Taxes - State	32,047	32,183
Depreciation	136,277	122,602
Total Operating Expenses	<u>2,094,522</u>	<u>2,272,613</u>
Net Operating Income	88,903	162,446
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	8,846	8,612
Miscellaneous	153,083	124,167
Interest Expense	-	2,540
Total Non-Operating Revenues	<u>161,929</u>	<u>135,319</u>
Contributions - Grants	-	-
Total Contributions	<u>-</u>	<u>-</u>
Transfers		
City of Tacoma Gross Earnings Tax	(202,716)	(190,513)
CHANGE IN NET POSITION	<u>\$48,116</u>	<u>\$107,252</u>
TOTAL NET POSITION - JANUARY 1		
TOTAL NET POSITION - JUNE 30		

These statements should be read in conjunction with the Management Discussion and Analysis in the June 2017 Financial Report.

YEAR TO DATE			
JUNE 30, 2017	JUNE 30, 2016	2017/2016 VARIANCE	PERCENT CHANGE
14,180,814	13,507,085	\$673,729	5.0%
2,035,872	1,898,125	137,747	7.3%
16,216,686	15,405,210	811,476	5.3%
499,749	506,484	(6,735)	-1.3%
534,282	938,613	(404,331)	-43.1%
993,274	1,002,179	(8,905)	-0.9%
1,573,669	1,279,344	294,325	23.0%
5,120,508	4,576,858	543,650	11.9%
862,775	647,002	215,773	33.3%
1,188,669	1,154,439	34,230	3.0%
2,623,552	2,439,854	183,698	7.5%
227,947	215,565	12,382	5.7%
818,265	737,322	80,943	11.0%
14,442,690	13,497,660	945,030	7.0%
1,773,996	1,907,550	(133,554)	-7.0%
69,688	66,645	3,043	4.6%
527,490	683,985	(156,495)	-22.9%
(6)	(5,956)	5,950	-99.9%
597,172	744,674	(147,502)	-19.8%
36,254	-	36,254	100.0%
36,254	-	36,254	100.0%
(1,338,059)	(1,264,920)	(73,139)	5.8%
1,069,363	1,387,304	(\$317,941)	-22.9%
29,033,898	27,041,661		
\$30,103,261	\$28,428,965		

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES
JUNE 30, 2017 AND JUNE 30, 2016

	June 2017	June 2016
SWITCHING REVENUES		
LINE HAULS--INTERMODAL	\$715,337	\$1,005,120
LINE HAULS--COMMERCIAL	973,735	984,040
LINE HAULS--CAPITAL DIVISION	12,521	23,813
MISCELLANEOUS SWITCHES	199,794	130,622
	<u>199,794</u>	<u>130,622</u>
TOTAL SWITCHING REVENUES	<u>\$1,901,387</u>	<u>\$2,143,595</u>
 SWITCHING ACTIVITIES (CARS)		
LINE HAULS--INTERMODAL	4,508	5,950
LINE HAULS--COMMERCIAL	2,141	2,585
LINE HAULS--CAPITAL DIVISION	30	57
MISCELLANEOUS SWITCHES	1,352	313
	<u>1,352</u>	<u>313</u>
TOTAL CARS SWITCHED	<u>8,031</u>	<u>8,905</u>

* The Summary of Switching Activites (Cars) includes an update to allocations for 2016.

YEAR TO DATE			
June 30, 2017	June 30, 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$5,963,397	\$6,064,111	(\$100,714)	-1.7%
6,674,370	6,467,945	206,425	3.2%
136,894	195,943	(59,049)	-30.1%
1,406,153	779,086	627,067	80.5%
<u>\$14,180,814</u>	<u>\$13,507,085</u>	<u>\$673,729</u>	<u>5.0%</u>
35,096	36,421	(1,325)	-3.6%
14,542	15,281	(739)	-4.8%
328	459	(131)	-28.5%
8,565	1,556	7,009	450.4%
<u>58,531</u>	<u>53,717</u>	<u>4,814</u>	<u>9.0%</u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

STATEMENTS OF CASH FLOWS

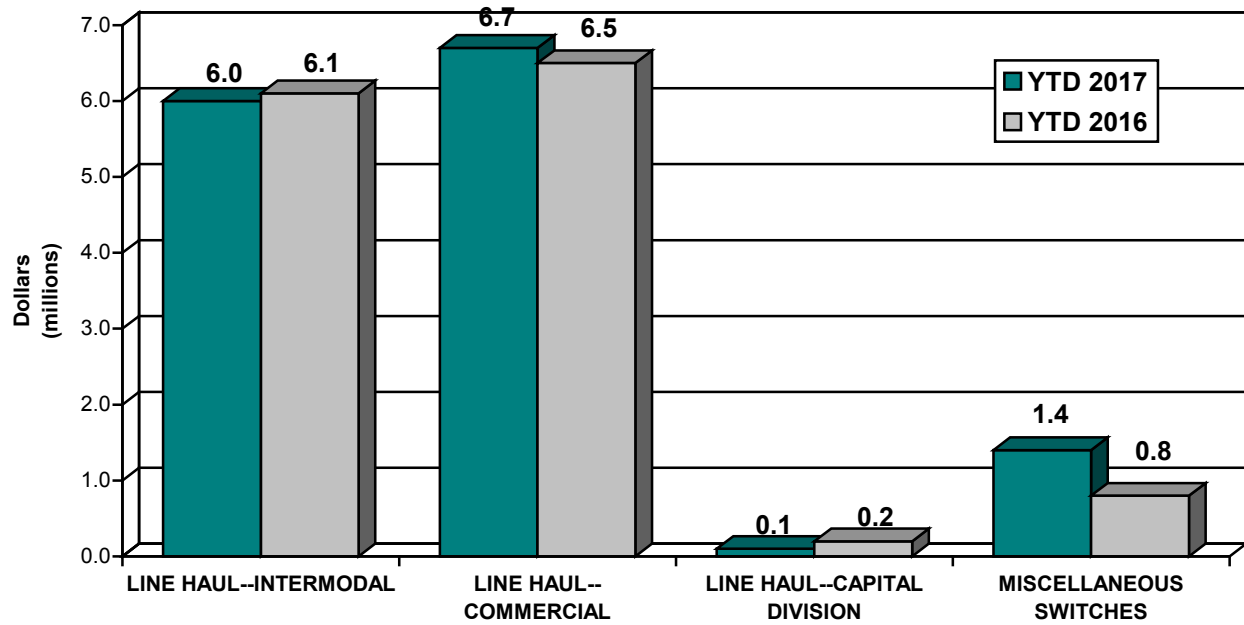
	YEAR TO DATE	
	JUNE 30, 2017	JUNE 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$16,462,452	\$15,269,705
Cash Paid to Suppliers	(4,686,306)	(4,045,161)
Cash Paid to Employees	(7,805,135)	(6,829,161)
Taxes Paid	(273,199)	(251,229)
Net Cash Provided by Operating Activities	3,697,812	4,144,154
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to Other Funds	(1,338,059)	(1,264,919)
Net Cash Used in Non-Capital Financing Activities	(1,338,059)	(1,264,919)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, Net	(594,671)	(947,783)
Principal Payments on Long-Term Debt	(447,935)	(438,608)
Interest Paid	(872)	(7,608)
Proceeds from Capital Contributions	36,254	-
Proceeds from Long-Term Debt	403,339	653,602
Gain from Disposition of Property	(4,045)	-
Proceeds from Other Non-Operating Revenues	531,535	683,985
Net Cash Used in Capital and Related Financing Activities	(76,395)	(56,412)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	69,687	66,645
Net Cash Provided by Investing Activities	69,687	66,645
Net Increase (Decrease) in Cash and Equity in Pooled Investments	2,353,045	2,889,468
Cash & Equity in Pooled Investments at January 1	8,051,303	9,160,846
Cash & Equity in Pooled Investments at June 30	\$10,404,348	\$12,050,314

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.

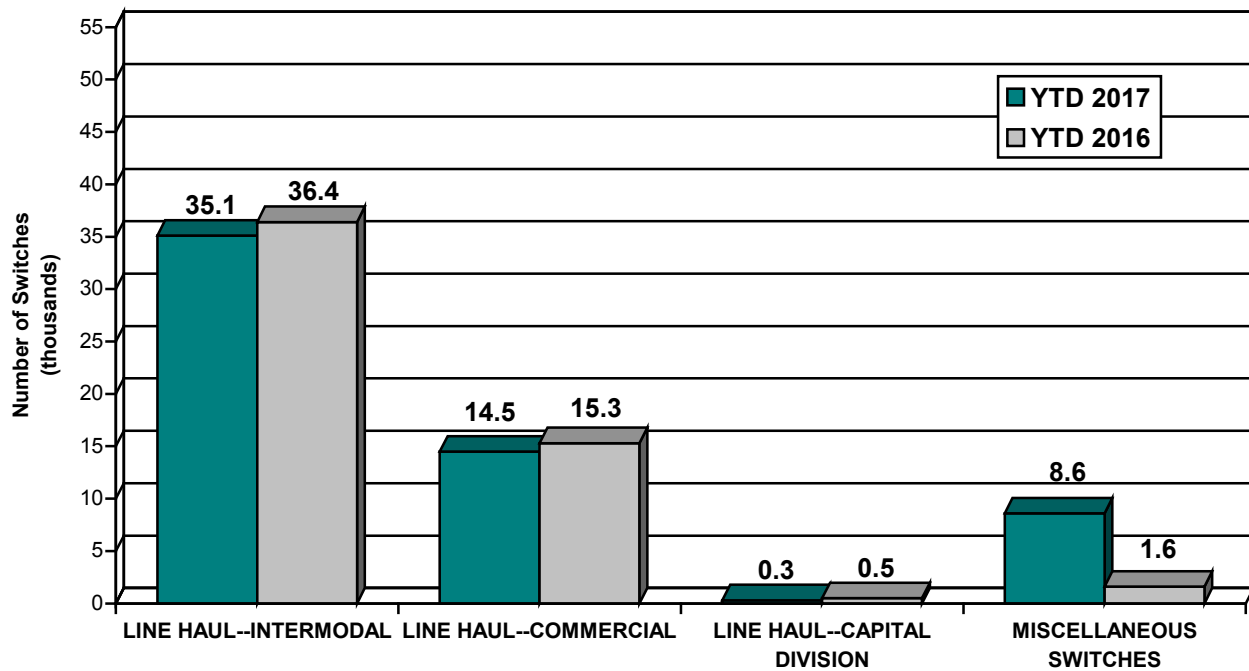
	YEAR TO DATE JUNE 30, 2017	YEAR TO DATE JUNE 30, 2016
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$1,773,996	\$1,907,550
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	818,265	737,322
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable	246,438	(142,656)
Interfund Receivable	9,827	53,051
Materials and Supplies Inventory	(13,032)	(48,265)
Prepayments	253,664	249,427
Accounts Payable	(322,144)	(47,730)
Customer Deposits	(10,500)	(45,900)
Unemployment and other Tax Payables	(45,252)	(35,664)
Wages Payable	(8,787)	407,426
Volume Incentive Payable	1,250,002	1,291,666
Interfund Payable	(260,518)	(185,446)
Other Long-Term Liabilities & OJI Reserve.....	5,853	3,373
Total Adjustments	1,923,816	2,236,604
Net Cash Provided by Operating Activities	\$3,697,812	\$4,144,154
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	-	\$65,104
Cash and Equity in Pooled Investments in Operating Funds	10,404,348	11,985,210
Cash and Equity in Pooled Investments at June 30	\$10,404,348	\$12,050,314

Supplemental Data

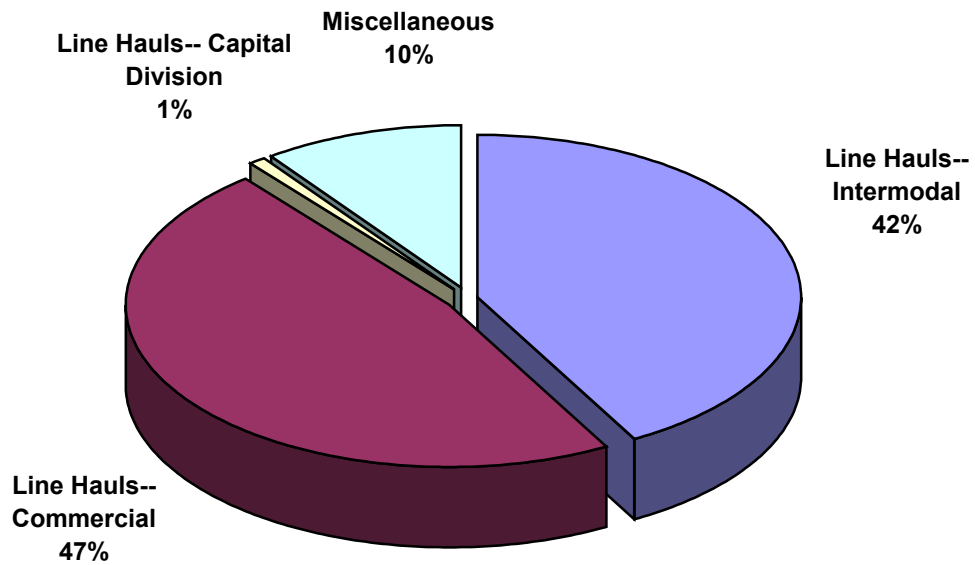
SWITCHING REVENUES
Year to Date - June 2017 & 2016



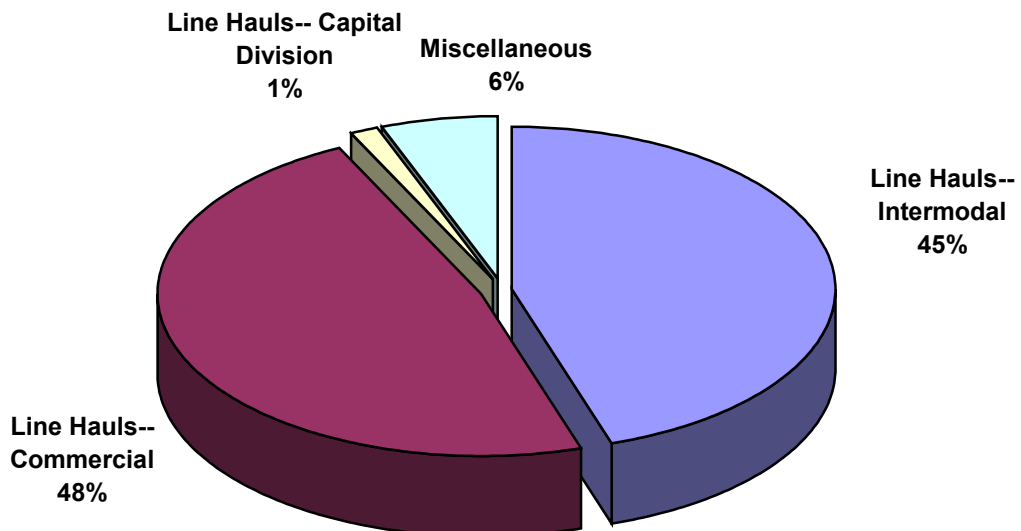
SWITCHING ACTIVITIES
Year to Date - June 2017 & 2016



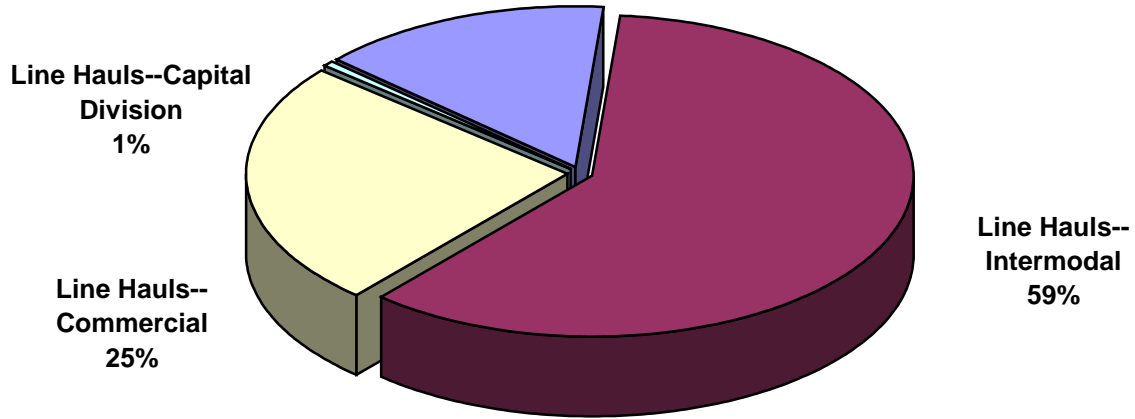
SWITCHING REVENUES
Year to Date - June 2017 (\$14,810,814)



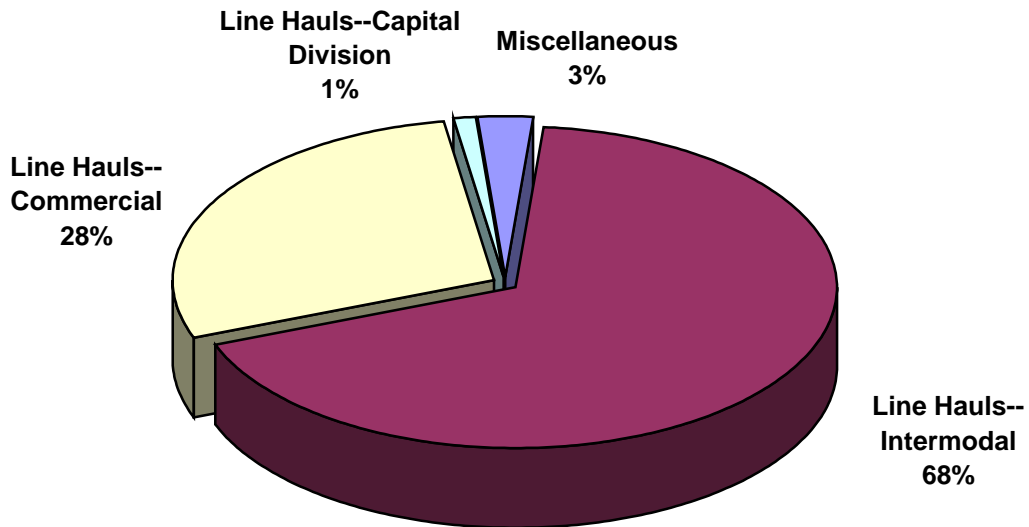
SWITCHING REVENUES
Year to Date - June 2016 (\$13,507,085)



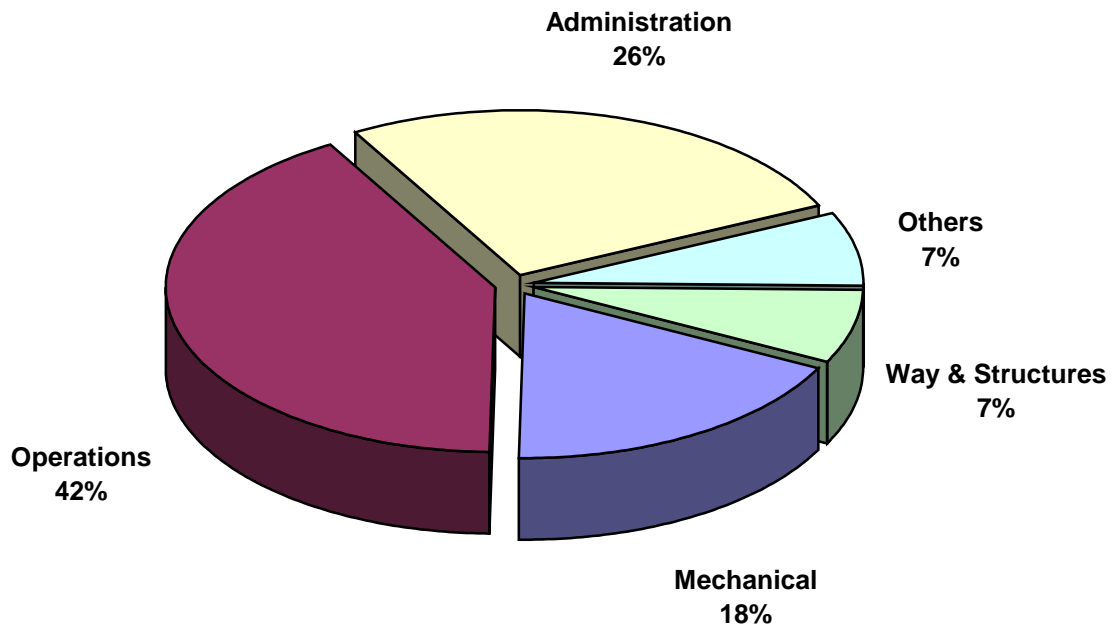
SWITCHING ACTIVITY
Year to Date - June 2017 (58,531 cars)
 Miscellaneous
 15%



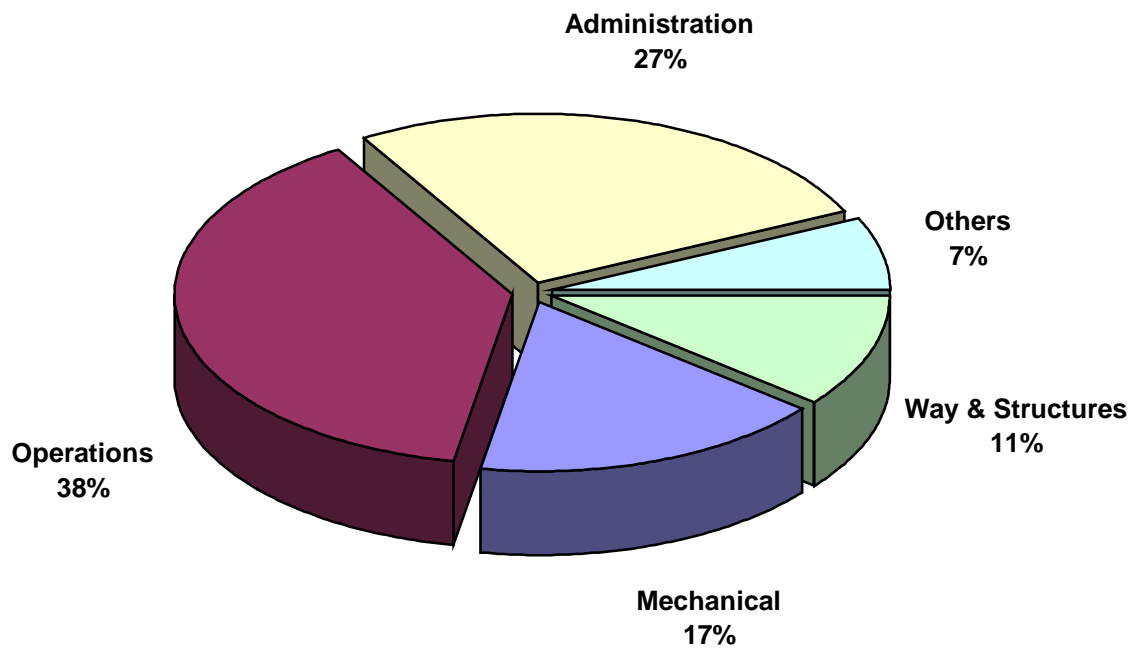
SWITCHING ACTIVITY
Year to Date - June 2016 (53,717 cars)



TOTAL OPERATING EXPENSES
Year to Date - June 2017 (\$14,442,690)



TOTAL OPERATING EXPENSES
Year to Date - June 2016 (\$13,497,660)





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JUNE

TACOMA WATER

2017

**FINANCIAL
REPORT**



Public Utility Board

MONIQUE TRUDNOWSKI

Chair

WOODROW JONES

Vice-Chair

KAREN LARKIN

Secretary

BRYAN FLINT

Member

MARK PATTERSON

Member

WILLIAM A. GAINES
Director of Utilities/CEO

Chris McMeen
Heather Pennington
Acting Water Division Superintendents

ANDREW CHERULLO
Finance Director

DEPARTMENT OF PUBLIC UTILITIES
CITY OF TACOMA

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Financial Statements

Summary

For the first six months of 2017, Tacoma Water is reporting year-to-date operating income of \$4.3 million compared to \$7.0 million in 2016. Operating revenues decreased \$1.5 million (3.4%) and operating expenses increased \$1.2 million (3.3%). The year to date change in net position for 2017 was (\$0.6) million compared to \$1.2 million for 2016.

Revenues

Water sales revenues decreased by \$1.2 million (3.3%) in the first six months of 2017 compared to the same period in 2016. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class.

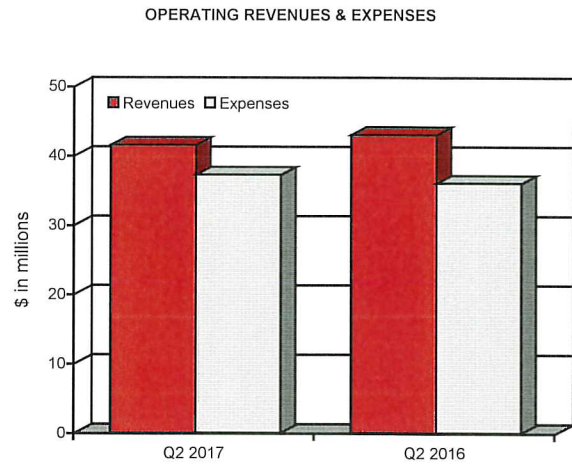
Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 1,770,689	\$ (1,969,616)	\$ (198,927)
Commercial and Industrial	827,282	(1,282,239)	(454,957)
Special Rate	36,192	115,928	152,120
Other	84,178	(751,722)	(667,544)
Total	\$ 2,718,341	\$ (3,887,649)	\$ (1,169,308)

Consumption for the first six months of 2017 was 7,478 million gallons, compared to 8,182 million gallons for the same period in 2016. Regional Water Supply System (RWSS) partners received 2,047 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2017	2016		
Residential and Domestic	3,230.66	3,536.31	(305.65)	(9%)
Commercial and Industrial	1,190.09	1,423.13	(233.04)	(16%)
Special Rate	2,707.35	2,607.10	100.25	4%
Other	349.82	615.69	(265.87)	(43%)
Total	7,477.92	8,182.23	(704.31)	(9%)

Expenses

Operating expenses were \$37.2 million for the first six months of 2017, an increase of \$1.2 million compared to 2016. Of that, Distribution experienced an increase of \$0.7 million. This increase is due in large part to cash pay outs for retirements of \$0.2 million as well as an increase of \$0.2 million in health benefits costs. Fleet replacement contributions for the Distribution group have also increased by \$0.3 million due to anticipated equipment purchases in the near term.



William A. Gaines
Director of Utilities/CEO

Andrew Cherullo
Finance Director

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION
Doing Business As

TACOMA WATER

TABLE OF CONTENTS

Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.

STATEMENTS OF NET POSITION	1 - 2
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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF NET POSITION - JUNE 30, 2017 AND JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS	2017	2016
UTILITY PLANT		
Water Plant in Service	\$1,075,495,771	\$1,060,046,652
Less Depreciation and Amortization	(227,024,227)	(206,179,583)
Total	848,471,544	853,867,069
Construction Work in Progress	26,298,348	25,641,016
Net Utility Plant	874,769,892	879,508,085
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2010 Construction Fund	20,924,248	25,646,367
2010 RWSS Construction Fund	-	4,918
2013 Construction Fund	15,840,357	20,123,075
Regional Water Supply System Operating Fund	1,032,025	814,930
Provision for Debt Payment	10,801,509	8,472,598
Customer Water Main Deposits	3,231,459	3,156,610
Water Supply Forum Fund	422,933	286,483
Special Bond Reserves	22,102,107	22,099,266
Water Customer Contribution Fund	11,660	(14,850)
Water Capital Reserves	29,794,504	27,669,310
Water System Development Charge	60,495,971	57,287,412
Total Restricted Assets	164,656,773	165,546,119
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	52,078,227	51,790,050
Customers' Deposits	325,958	332,220
Receivables:		
Customers	4,909,806	5,090,588
Accrued Unbilled Revenues	4,797,144	4,935,000
Others	715,806	605,900
BABs Interest Subsidies	320,064	320,064
Provision for Uncollectible Accounts	(470,632)	(370,878)
Materials and Supplies	2,329,966	2,542,940
Prepayments	905,654	700,131
Total Current Assets	65,911,993	65,946,015
TOTAL ASSETS	<u>1,105,831,621</u>	<u>1,111,493,182</u>
OTHER ASSETS		
Regulatory Assets - Public Fire Protection Fees	919,071	1,746,643
Regulatory Assets - Surcharges	1,508,069	1,625,237
Net Pension Asset	-	881,279
Total Other Assets	2,427,140	4,253,159
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	1,488,410	1,769,731
Deferred Outflows for Pensions	8,994,103	2,092,307
Total Deferred Outflows	10,482,513	3,862,038
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$1,118,741,274</u>	<u>\$1,119,608,379</u>

These statements should be read in conjunction with the Notes to Financial statements contained in the 2016 Annual Report.

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	2017	2016
NET POSITION		
Net Investment in Capital Assets	\$438,269,459	\$438,154,455 *
Restricted for:		
Water Capital Reserves	24,206,106	21,601,907
Water System Development Charge	24,920,525	21,711,966
Debt Service Funds	8,366,980	6,411,926
Pension Asset	-	881,279
Unrestricted	53,262,421	54,966,314
TOTAL NET POSITION	549,025,491	543,727,847
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	5,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	25,825,000	26,395,000
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	13,800,000	16,645,000
2015 Water Refunding Bonds, Series B	-	1,785,000
2010 RWSS Revenue Bonds, Series A	2,245,000	2,525,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	60,165,000	60,910,000
Total Outstanding Revenue Bonds	372,400,000	378,625,000
Plus: Unamortized Bond Premium	12,855,197	14,440,619
Net Outstanding Revenue Bonds	385,255,197	393,065,619
PWTF Pre-Construction Loans	800,783	960,956
PWTF Construction Loans	21,351,668	23,888,265
State Drinking Water Loans	69,844,047	75,893,293
Total Long-Term Debt	477,251,695	493,808,133
CURRENT LIABILITIES		
Salaries and Wages Payable	380,595	1,047,442
Purchases and Contracts Payable	777,600	917,242
Interest Expense Accrued	2,434,529	2,060,672
Taxes Accrued	1,616,326	1,655,522
Customers' and Contractors' Deposits	502,995	351,124
Current Portion of Long-Term Debt	13,334,372	10,738,011
Other Current Liabilities	2,706,083	2,653,020
Current Accrued Compensated Absences	269,819	260,047
Total Current Liabilities	22,022,319	19,683,080
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,762,451	6,943,806
Customer Advances for Construction	5,233,207	4,660,008
Unearned Revenue	7,589,557	7,846,920
Other Long-Term Liabilities	4,543,207	4,092,359
Pension Liability	7,788,151	-
Long-Term Accrued Compensated Absences	2,428,375	2,340,426
Total Long-Term Liabilities	34,344,948	25,883,519
TOTAL LIABILITIES	533,618,962	539,374,732
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	521,374	930,353
Total Deferred Inflows	36,096,821	36,505,800
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	\$1,118,741,274	\$1,119,608,379

* The Net Investment in Capital Assets includes \$16.8 million in 2010 Construction Bond Funds for 2016.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2017 AND JUNE 30, 2016

	JUNE 2017	JUNE 2016
OPERATING REVENUES		
Sales of Water	\$7,104,251	\$7,549,551
Other Operating Revenues	897,169	905,956
Contract Resource Obligation Revenue	338,035	366,321
Total Operating Revenues	<u>8,339,455</u>	<u>8,821,828</u>
OPERATING EXPENSES		
Production Expense:		
Source of Supply	682,300	568,037
Water Treatment	678,124	604,147
Total Production Expense	<u>1,360,424</u>	<u>1,172,184</u>
Power Pumping Expense	53,286	65,837
Transmission and Storage Expense	244,491	190,374
Distribution Expense	1,262,545	977,801
Customer Accounting and Consumer Service ...	411,795	357,755
Taxes	519,404	537,433
Depreciation	2,000,312	1,987,126
Administrative and General	898,442	857,917
Total Operating Expenses	<u>6,750,699</u>	<u>6,146,427</u>
OPERATING INCOME (LOSS)	1,588,756	2,675,401
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	202,096	163,191
Miscellaneous	(1,011)	(9,380)
Interest on Long-Term Debt	(1,369,247)	(1,318,828)
Interest on Long-Term Debt BABs Sub	(302,973)	(320,067)
Amortization Of Debt Premium	111,548	105,802
Interest Charged to Construction	45,338	43,036
Total Non-Operating Revenues (Expenses)	<u>(1,314,249)</u>	<u>(1,336,246)</u>
Net Income (Loss) Before Capital Contributions and Transfers	274,507	1,339,155
Capital Contributions:		
Cash	344,186	262,124
Donated Fixed Assets	-	-
Federal BABs Subsidies	320,064	320,067
Transfers:		
City Gross Earnings Tax	(617,115)	(632,103)
CHANGE IN NET POSITION	<u>\$321,642</u>	<u>\$1,289,243</u>
NET POSITION - JANUARY 1		
TOTAL NET POSITION - JUNE 30		

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
JUNE 30 2017	JUNE 30 2016		
\$ 34,077,600	\$ 35,246,908	(\$1,169,308)	-3.3%
5,188,858	5,129,975	58,883	1.1%
2,242,370	2,608,009	(365,639)	-14.0%
41,508,828	42,984,892	(1,476,064)	-3.4%
3,540,201	3,498,478	41,723	1.2%
3,146,498	2,976,492	170,006	5.7%
6,686,699	6,474,970	211,729	3.3%
284,825	351,805	(66,980)	-19.0%
1,254,653	1,577,880	(323,227)	-20.5%
7,092,194	6,362,816	729,378	11.5%
2,468,430	2,293,098	175,332	7.6%
2,151,214	2,176,928	(25,714)	-1.2%
12,026,601	11,916,605	109,996	0.9%
5,244,637	4,859,654	384,983	7.9%
37,209,253	36,013,756	1,195,497	3.3%
4,299,575	6,971,136	(2,671,561)	-38.3%
1,819,135	1,480,162	338,973	22.9%
869,318	6,395	862,923	13493.7%
(8,232,908)	(8,007,181)	(225,727)	2.8%
(1,792,870)	(1,811,562)	18,692	-1.0%
669,288	634,812	34,476	5.4%
225,636	231,987	(6,351)	-2.7%
(6,442,401)	(7,465,387)	1,022,986	-13.7%
(2,142,826)	(494,251)	(1,648,575)	333.6%
2,735,211	2,506,130	229,081	9.1%
105,308	386,241	(280,933)	-72.7%
1,809,961	1,811,562	(1,601)	-0.1%
(3,134,389)	(2,983,658)	(150,731)	5.1%
(626,735)	1,226,024	(1,852,759)	-151.1%
549,652,226	542,501,823	7,150,403	
\$549,025,491	\$543,727,847	\$5,297,644	1.0%

These statements should be read in conjunction with the Management Discussion and Analysis in the June 2017 Financial Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS
JUNE 30, 2017 AND JUNE 30, 2016

	JUNE 2017	JUNE 2016
SALES OF WATER		
Residential and Domestic	\$4,812,752	\$5,026,742
Commercial and Industrial	1,532,493	1,718,690
Special Rate	554,372	484,690
Sales to Other Utilities	204,634	319,429
Total	<u>\$7,104,251</u>	<u>\$7,549,551</u>

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	107,464	104,766
Commercial and Industrial	7,254	5,855
Sales to Other Utilities	17	17
Total	<u>114,735</u>	<u>110,638</u>

YEAR TO DATE		2017 OVER	
JUNE 30	JUNE 30	(UNDER)	PERCENT
2017	2016	2016	CHANGE
\$22,664,868	\$22,863,795	(\$198,927)	-0.9%
7,365,428	7,820,385	(454,957)	-5.8%
2,974,579	2,822,459	152,120	5.4%
1,072,725	1,740,269	(667,544)	-38.4%
<u>\$34,077,600</u>	<u>\$35,246,908</u>	<u>(\$1,169,308)</u>	-3.3%
576,544	567,335	9,209	1.6%
39,545	38,289	1,256	3.3%
<u>102</u>	<u>102</u>	<u>-</u>	0.0%
<u>616,191</u>	<u>605,726</u>	<u>10,465</u>	1.7%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF WATER BILLED
JUNE 30, 2017 AND JUNE 30, 2016

MILLION GALLONS, TOTAL				
	JUNE 2017	JUNE 2016	YEAR TO DATE	
			JUNE 30 2017	JUNE 30 2016
WATER BILLED				
Residential and Domestic	724.79	898.67	3,230.66	3,536.31
Commercial and Industrial	263.15	396.33	1,190.09	1,423.13
Special Rate	499.34	446.71	2,707.35	2,607.10
Sales to Other Utilities	63.06	108.60	349.82	615.69
	<u>1,550.34</u>	<u>1,850.31</u>	<u>7,477.92</u>	<u>8,182.23</u>

NOTE: For conversion purposes, there are approximately 748 gallons in every 100 cubic feet of water.

MILLION GALLONS, AVERAGE DAILY

JUNE 2017	JUNE 2016
24.16	29.96
8.77	13.21
16.64	14.89
2.10	3.62
51.67	61.68

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	JUNE 30 2017	JUNE 30 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$45,148,880	\$46,071,858
Cash Paid to Suppliers	(12,035,162)	(10,405,886)
Cash Paid to Employees	(13,143,628)	(11,975,431)
Taxes Paid	(2,027,364)	(2,385,058)
Net Cash From Operating Activities	17,942,726	21,305,483
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(3,134,389)	(2,983,658)
Net Cash From Non-Capital Financing Activities	(3,134,389)	(2,983,658)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, net.....	(6,917,899)	(6,085,355)
Proceeds from State Drinking Water Loan	-	16,800,000
Debt Issuance Costs	-	13,680
Principal Payments on Long-Term Debt	(555,556)	(555,556)
Principal Payments on Muckleshoot LT Liability ...	(185,889)	(190,536)
Interest Paid	(9,489,543)	(9,539,905)
BABs Federal Interest Subsidies	1,787,877	1,789,799
Contributions in Aid of Construction	2,735,211	2,506,130
System Development Charges & Other LT Liabilities.	593,886	47,470
Net Cash From Capital and Related Financing Activities	(12,031,913)	4,785,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	1,819,135	1,480,162
Other Net Non-Op Revenues and Expenses	869,318	(7,286)
Net Cash From Investing Activities	2,688,453	1,472,876
Net Change in Cash and Equity in Pooled Investments	5,464,877	24,580,428
Cash & Equity in Pooled Investments at January 1 ...	211,596,081	193,087,961
Cash & Equity in Pooled Investments at June 30	\$217,060,958	\$217,668,389

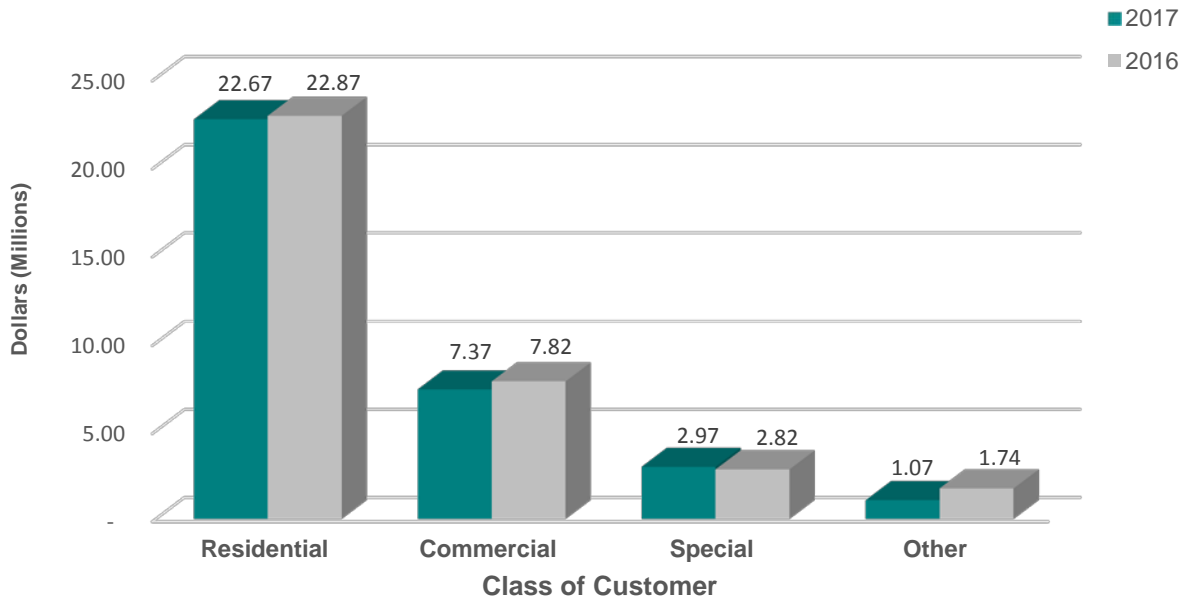
These statements should be read in conjunction with the Notes to Financial statements contained in the 2016 Annual Report.

	YEAR TO DATE	
	JUNE 30 2017	JUNE 30 2016
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net Operating Income	\$4,299,575	\$6,971,136
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	12,026,601	11,916,605
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	341,361	(4,426)
Interfund Receivables	107,970	686,030
Regulatory Asset-Public Fire Protection Fees	377,930	377,930
Regulatory Asset-Surcharges.....	61,408	58,111
Materials and Supplies	11,582	(55,865)
Prepayments	212,408	270,200
Unearned Revenues	2,706,083	2,653,020
Accrued Taxes	123,850	(208,130)
Salaries, Wages and Fringe Benefits Payable	(30,233)	723,161
Customers' Deposits	153,270	2,331
Accrued Expenses and Contracts Payable	(770,190)	(501,628)
Interfund Payables	(1,678,889)	(1,582,992)
Total Adjustments	13,643,151	14,334,347
Net Cash From Operating Activities	<u>\$17,942,726</u>	<u>\$21,305,483</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$164,656,773	\$165,546,119
Cash and Equity in Pooled Investments in Operating Funds	52,404,185	52,122,270
Cash and Equity in Pooled Investments at June 30	<u>\$217,060,958</u>	<u>\$217,668,389</u>

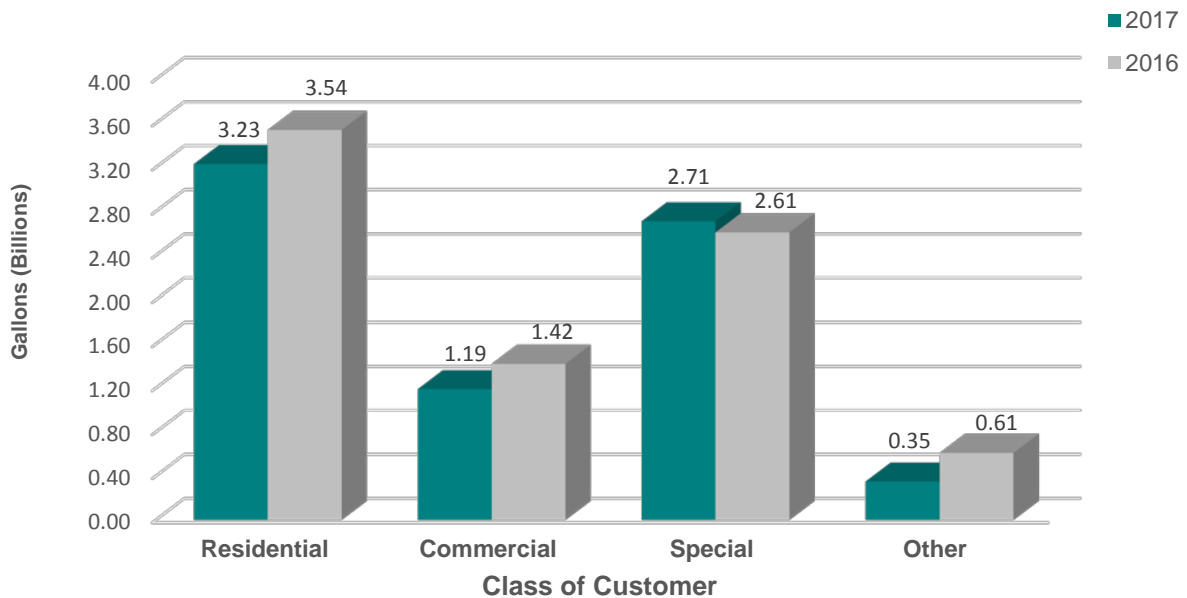
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Supplemental Data

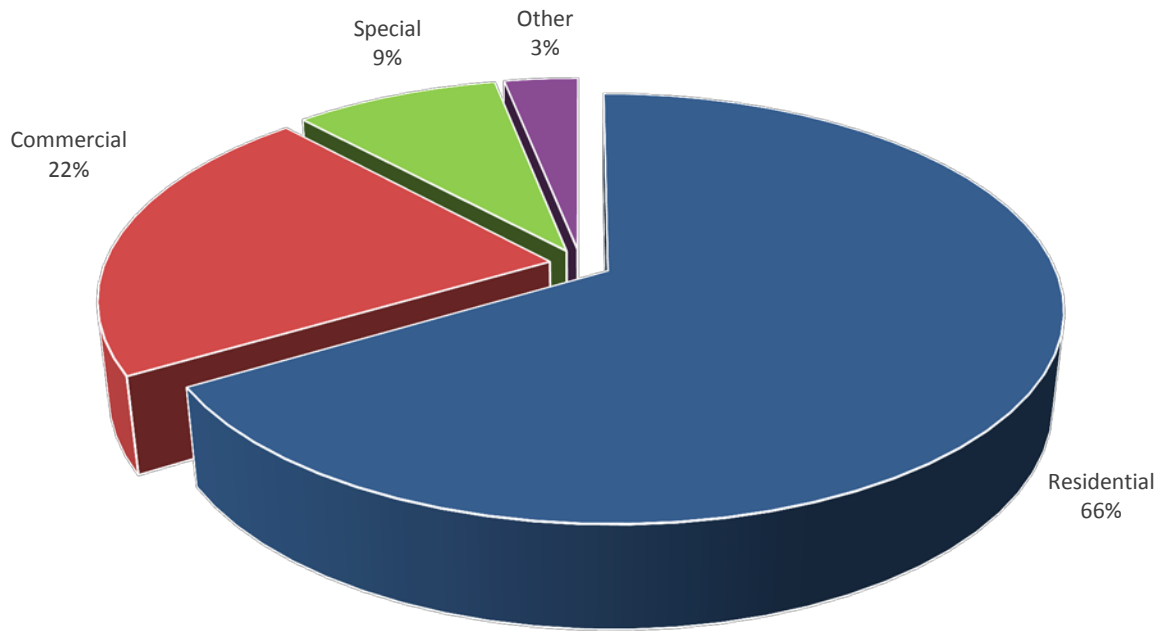
WATER SALES Year to Date - June 2017 & 2016



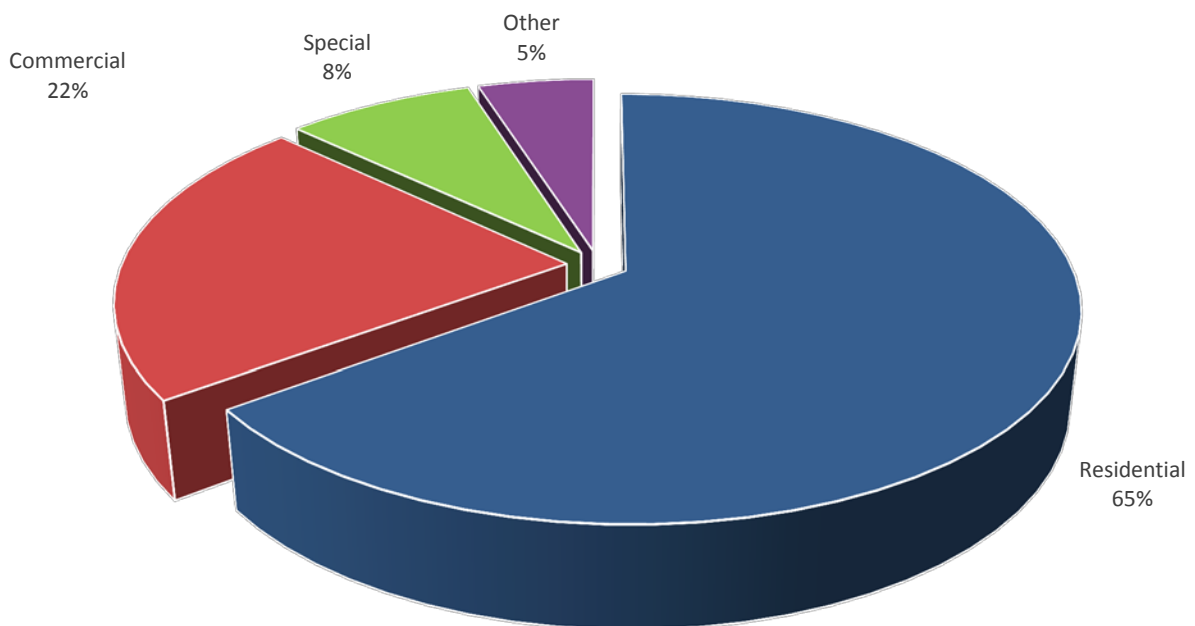
WATER CONSUMPTION Year to Date - June 2017 & 2016



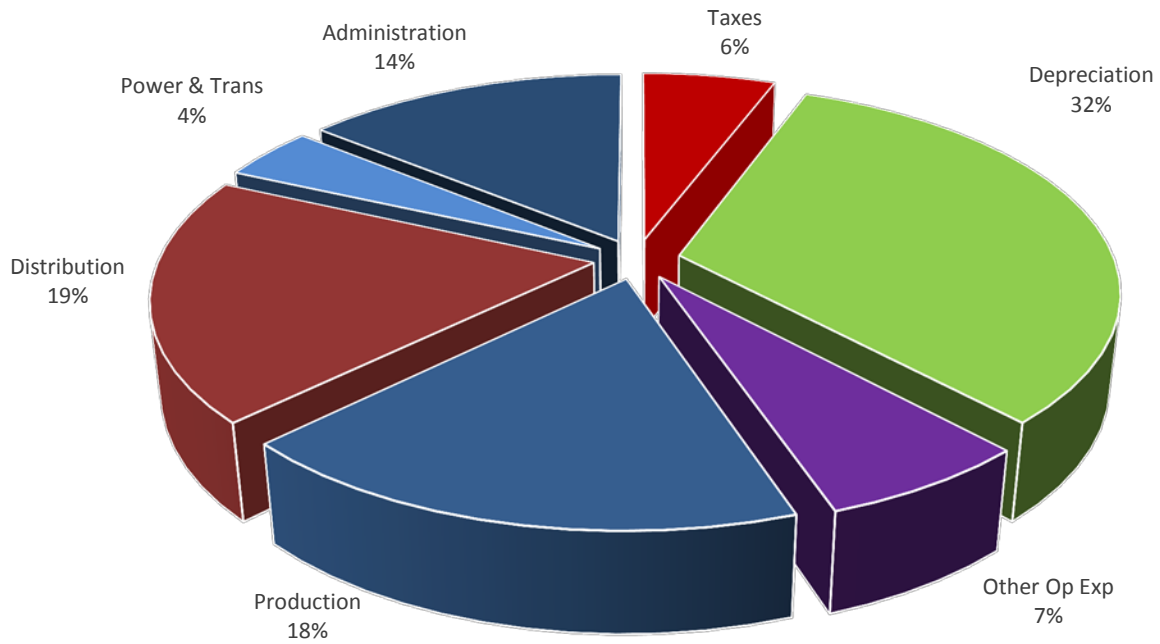
WATER SALES
Year to Date - June 2017
(\$34,077,600)



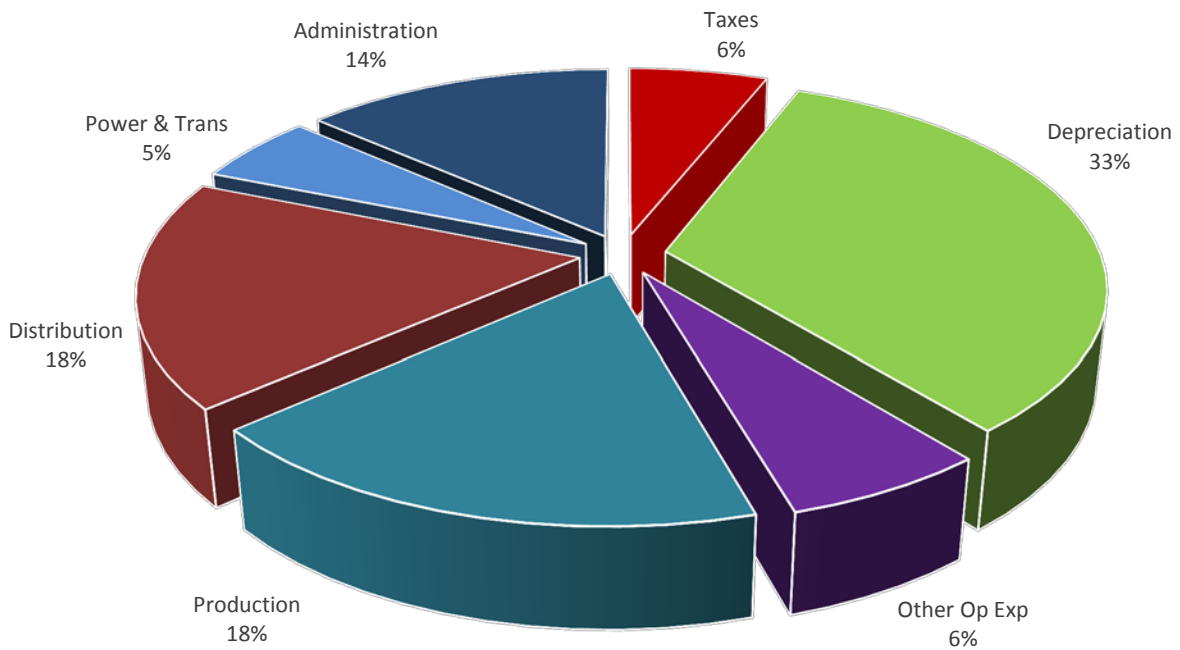
WATER SALES
Year to Date - June 2016
(\$35,246,908)



TOTAL OPERATING EXPENSES
Year to Date - June 2017
(\$37,209,253)



TOTAL OPERATING EXPENSES
Year to Date - June 2016
(\$36,013,756)





The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.