

FRIDAY LETTER
December 7, 2018

1. **Franchise meeting.** Dave and I met with Kathy Putz and her team at King County on Thursday afternoon. We went line by line through the County's July 3rd Draft of the Franchise. It was a very constructive meeting. Here are the important changes from the earlier Draft:
 - a. **Franchise fee.** The County proposes to remove the language about the fee and replace it with text that reserves the right of the County to charge the fee in the future if they are successful in court. Kathy will send us the new language when it is complete.
 - b. **Term.** The new agreement would be in place for ten years without the opportunity for amendment. Without notice it would automatically renew for a second ten years at the end of the first term. At any time during the second ten year term the County could reopen the agreement with notice, followed by negotiations.
 - c. **Pollution.** If we uncover pollution while working in the ROW, we must pay to clean up what we find in the trench only. We must report the pollution to the County and other authorities, after which we have the right to request recovery of our costs from whoever is ultimately required to clean up the larger mess.
 - d. **Removal of abandoned pipe.** The County wants us to remove all old pipe when we replace it with new pipe. Dave and I strenuously objected, arguing that the sequence of construction events would essentially require us to dig a new trench to uncover the old line after new connections had been completed – potentially nearly doubling the construction costs. We also believe that asbestos cement pipe is better left in the ground where it is fully encased from breakdown and air contamination. Kathy promised to raise our concerns with the Roads people and get back to us.
 - e. **Insurance.** The agreement would require us to increase our general liability insurance coverage from the current \$1million to \$5million. (Todd, could you ask Tom Trigg about this added cost?)

The County's expectation is that we could complete and sign this new franchise agreement before the legal questions about the ROW rental fee are settled. This would clarify our legal status in the ROW and remove the cloud of having to continuously prove we are "bargaining in good faith" to get permits from the County.

Both parties have petitioned the State Supreme Court for direct appeal of the lower court decision. It is expected that by February the Court will tell us if they will take the appeal. If they say yes, a hearing is expected by October. If they say no, the County will appeal to the regular appellant court and we would be in for a prolonged fight.

2. **Offer of well.** Jon Howland and Jessica Gates have purchased the old Baxter property on 101st with the deep 40gpm well that used to serve many surrounding properties before Dockton Water extended service to this area. They have asked if we are interested in leasing

the well from them to add to our capacity. Steve Andrus explored this option (actually purchase in that case) with Baxter several years ago. We tested the well and found it had slightly diminished water quality much like our Sandy Shores well, so the Board rejected the offer. Do we want to reconsider with the new owners? Our plan suggests we have enough water now to serve build out development at current zoning in our service area.

Kelly