

**MEMORANDUM OF UNDERSTANDING**  
**FOR**  
**TRANSFER AND IMPROVEMENT OF**  
**THE FIDALGO ISLAND WATER SYSTEM**

1. AGREEMENT

This Memorandum of Understanding to cooperate and continue discussions regarding the Transfer and Improvement of the Fidalgo Island Water System (“Memorandum”) is entered into as of the date of the last signature below (“Effective Date”) by and between the City of Anacortes, Washington (“City”), and Public Utility District No. 1 of Skagit County, Washington (“District”) (each a “Party” and collectively the “Parties” to this Memorandum). The Parties agree as follows.

2. RECITALS

2.1 City Water System. The City owns and operates a municipal water supply and distribution system (“Water System”), which has been combined with the City’s sanitary sewage system, storm and surface water drainage system and garbage and refuse collection and disposal system (collectively, “Utility System”). The City operates the Water System for the purpose of delivering an adequate supply of water to customers and to provide for future use and expansion of the Water System.

2.2 Fidalgo Island Water System of the District. The District owns a water distribution system that serves approximately 720 customers located in an unincorporated area of Skagit County on Fidalgo Island. Pursuant to the Water Supply Agreement 2017-2036 between the City and the District, last dated January 6, 2017 (“Supply Agreement”), the Water System provides water supply to the FIWS to serve District customers connected to the Fidalgo Island Water System (FIWS). The Supply Agreement authorizes transfers of service areas among customers of the City, including the District, and expansion of the City’s service area.

2.3 Transfer of Fidalgo Island Water System to the City. Due to the proximity of the FIWS to other retail service areas of the Water System and the City’s continued provision of water supply to the FIWS under the Supply Agreement, the Parties have determined that transferring the FIWS to the City will improve maintenance and emergency response times and result in economic and water service-related efficiencies in the continued operation, maintenance and improvement of the FIWS. It is therefore in the best interests of the City, the District and the FIWS ratepayers for the District and the City to continue discussions regarding the transfer of ownership of the FIWS to the City.

3. TRANSFER AND IMPROVEMENT OF THE FIDALGO ISLAND WATER SYSTEM

3.1 Asset Transfer and Improvement Agreement. The details of the transfer of the FIWS will be outlined in an Asset Transfer and Improvement Agreement (“Agreement”), which will outline the obligations of each party, the cost sharing agreement and the transfer of the associated real and personal property, contracts and intangibles.



3.2 Public Outreach Process. The Parties shall jointly engage in a public outreach process where the customers of the FIWS will have an opportunity to voice their opinion on the potential transfer and ask questions of the Parties.

4. GENERAL

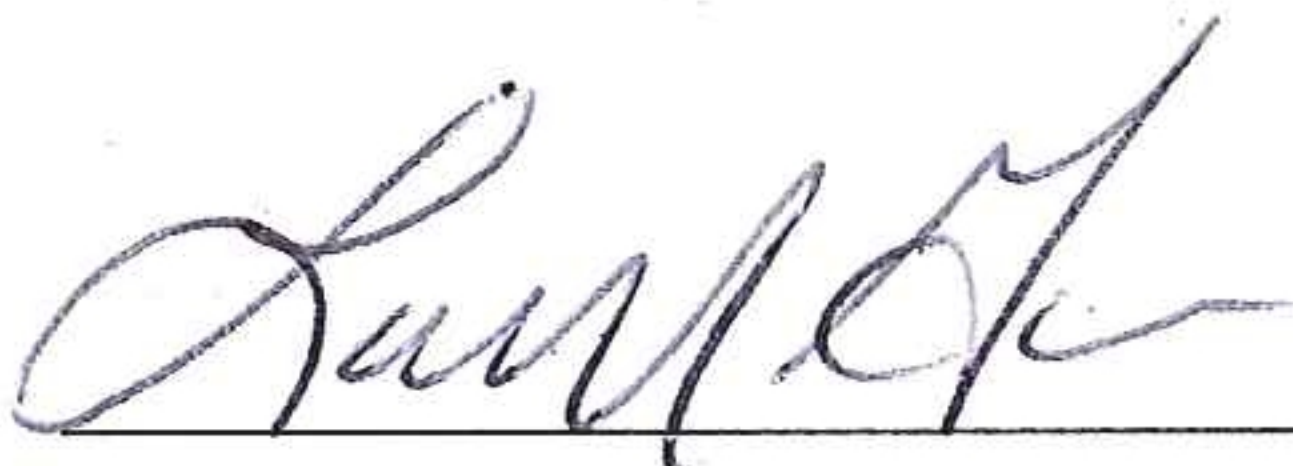
4.1 Costs. The Parties will share equally all costs and expenses related to the preparation, drafting and documentation of this Memorandum, the Agreement and all necessary transfer documents, including without limitation, legal, consultant and applicable filing costs.

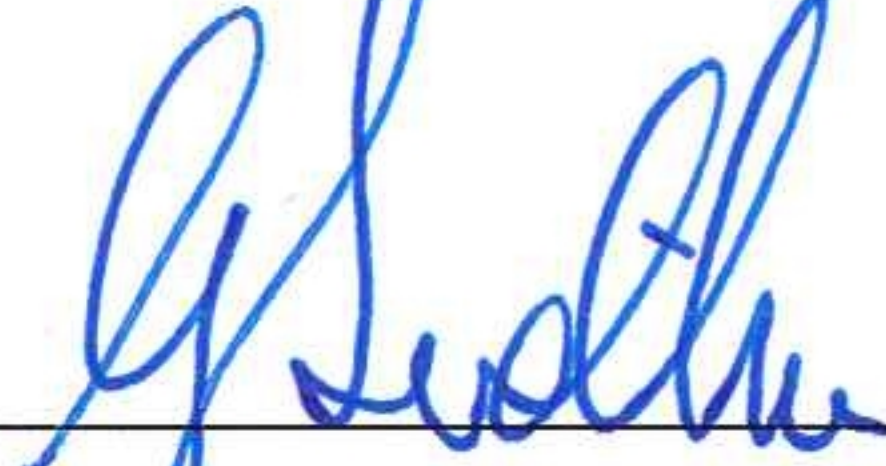
4.2 Authority. The individuals signing below represent and warrant that they have the requisite authority to bind the Parties on whose behalf they are signing.

This Memorandum is executed by each Party as set forth below:

City of Anacortes

Public Utility District No. 1 of Skagit County

By: 

By: 

Its: Mayor

Its: General Manager

Date: Dec. 31, 2019

Date: December 11, 2019