

INTERLOCAL COOPERATIVE AGREEMENT

THIS AGREEMENT is made by and between PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY, WASHINGTON ("Douglas" or "Douglas PUD"), and PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY WASHINGTON ("Grant" or "Grant PUD"), collectively referred to as "Parties".

Recitals:

A. Public Utility Districts are authorized, pursuant to RCW 39.34, to enter into Interlocal Cooperative Agreements.

B. Grant desires to fund a proportional share of the modernization of the Wells Fish Hatchery owned and operated by Douglas for the expressed purpose of gaining long-term access to Douglas PUD's hatchery infrastructure in order to rear various species of anadromous fish, including up to 110,000 yearling steelhead smolts.

C. Grant also desires to fund a proportional share of the operation and maintenance, and the in-hatchery facility monitoring and evaluation costs necessary to support the production of various species of anadromous fish, including up to 110,000 yearling steelhead smolts.

D. Douglas is willing to allow Grant to use a proportional share of the rearing capacity at the Wells Fish Hatchery and to fund Douglas to raise, monitor and evaluate Grant's fish on the terms and conditions contained in this Agreement.

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

1. TERM.

This Agreement shall remain in full force and effect until December 31, 2052 unless terminated earlier based upon written notice issued to the other Party at least eighteen months in advance of the date of termination. This Agreement is to take effect on the day and year that both Grant and Douglas sign the Agreement. The annual hatchery budget detailing shared costs will be updated annually following at least one annual meeting between Grant and Douglas. The terms of this Agreement can be adjusted annually upon the consent of both Grant and Douglas.

2. PURPOSE.

The purpose of this Agreement is to provide for the limited use of Douglas PUD's Wells Fish Hatchery by Grant PUD and Grant PUD's payment of costs related thereto. Both Parties agree that through utilization of this Interlocal Cooperative Agreement, savings to the customers of both utility districts can be achieved.

3. OWNERSHIP AND PRIORITY OF USE.

Notwithstanding any other provisions of this Interlocal Cooperation Agreement between the Parties, Douglas shall retain full ownership of the Wells Fish Hatchery. Douglas, as the sole owner and operator of the Wells Fish Hatchery, will have the final authority on all decisions pursuant to this Agreement. Any dispute hereunder shall be resolved by Dispute Resolution pursuant to Section 20 of this Agreement.

Throughout the term of this Agreement, Douglas will provide Grant with sufficient rearing capacity at the Wells Hatchery to rear up to 110,000 summer steelhead smolts based upon the general program description provided by Grant PUD (see Exhibit A). Should Douglas need to reclaim all or a portion of the steelhead rearing capacity reserved for Grant, then Douglas will provide Grant with notice at least three years in advance of reclaiming capacity and Douglas shall reimburse Grant for that portion of hatchery capacity reclaimed by Douglas.

Douglas PUD's reimbursement to Grant will be equal to the proportion of Grant's steelhead rearing capacity reclaimed by Douglas multiplied by the final actual Engineering, Design and Construction Costs (EDC Cost) paid by Grant PUD. Calculation of Douglas PUD's reimbursement to Grant PUD will assume a 30-year useful life for Grant's EDC Costs. The reimbursement calculation will take into consideration the useful life remaining on the infrastructure being reclaimed.

Example

FYE 2023: Grant PUD's Total EDC Payments = \$1,000
Assume Douglas reclaims 50% of Grant's steelhead capacity effective 9/1/23 (10 years of use).

Reimbursement Calculation:

Grant's Total EDC Payment = \$1,000 * (20 years remaining/30 year total life) =	<u>\$667</u>
Reclaimed Capacity	<u>50%</u>
Douglas reimbursement owed to Grant in FYE 2024	<u>\$333</u>

4. SERVICES PROVIDED BY DOUGLAS.

Douglas will construct infrastructure at the Wells Fish Hatchery sufficient to rear up to 110,000 yearling steelhead smolts for release into the Okanogan Basin or other locations as requested by Grant PUD. Grant PUD has provided Douglas with design and rearing criteria and a capacity request necessary to accommodate its program at the Wells Fish Hatchery (see Exhibit A).

Throughout the term of this Agreement, Douglas will continue to operate, maintain and evaluate the Wells Fish Hatchery sufficient to rear up to 110,000 yearling steelhead smolts for Grant PUD. This includes providing all necessary labor and materials including providing adult holding, spawning, incubation, juvenile rearing, and in-hatchery facility monitoring and evaluation. In consideration of the same, Grant shall make payments to Douglas consistent with the provisions of this Agreement.

5. FACILITY UTILIZATION RATE.

Grant PUD's Facility Utilization Rate for the operation and maintenance activities being conducted at the Wells Fish Hatchery will be calculated by dividing the monthly average weight of Grant PUD's fish by the total monthly averaged weight of all the fish scheduled for production at the Wells Fish Hatchery and then taking the average of that figure across twelve months. The monthly average weight equals the target number of fish multiplied by the final fish-per-pound weight, regardless of the life stage on-station in any given month.

The Facility Utilization Rate may be changed provided both Parties agree to the change in writing.

Grant PUD's rate of participation in the modernization of the Wells Fish Hatchery is ten percent (10%) and is based upon the information provided to Douglas PUD by Grant PUD (see Exhibit A), and assumes that Grant PUD will be requesting the infrastructure necessary to rear two populations of steelhead totaling up to 110,000 steelhead smolts at eight (8) fish per pound.

There are four categories of costs which together will determine the total costs Grant will pay to Douglas related to the implementation of this Agreement. The cost categories are listed in Section 6 (Categories of Costs).

6. CATEGORIES OF COSTS.

The following Categories of Costs are mutually exclusive.

A. Engineering, Design and Construction Costs.

Douglas PUD's EDC Costs include all engineering, design, legal, bidding, construction oversight, and construction costs associated with modernization of the Wells Fish Hatchery. Based upon a preliminary EDC cost estimate of \$33,000,000 and consistent with this Agreement, the Parties agree to share these costs necessary to modernize the Wells Fish Hatchery.

Douglas has already incurred pre-bid EDC Costs on behalf of Grant beginning February 1, 2012. Douglas is expecting to incur additional pre-bid EDC Costs on behalf of Grant prior to the modernization project being submitted for public bid. Grant shall reimburse Douglas for ten percent (10%) of the actual pre-bid EDC Costs incurred in association with the modernization of the Wells Fish Hatchery. The engineering, design and construction costs associated with the construction of the Wells Fish Hatchery sturgeon program are excluded from the EDC Costs reimbursed by Grant.

B. Annual Hatchery Costs.

The Annual Hatchery Costs include hatchery operations, in-hatchery monitoring and evaluation, maintenance, studies and all other annual non-capital costs. Grant PUD's Annual Hatchery Costs will be calculated by multiplying Grant's Facility Utilization Rate times the Annual Hatchery Costs.

C. Annual Debt Payment.

The Annual Debt Payment is equal to the remaining capital debt service payment for the development of the Wells Fish Hatchery as it existed on August 31, 2012. The majority of debt for the development of the Wells Fish Hatchery will be paid off on August 31, 2018. Grant's proportionate share of the Annual Debt Payment is referred to as Grant's Annual Debt Payment. Grant's Annual Debt Payment will be calculated by multiplying Grant's Facility Utilization Rate times the Annual Debt Payment. The Annual Debt Payment for the Wells Fish Hatchery, as of August 2012, was \$233,297 per year. After August 31, 2018 the Annual Debt Payment for Grant will be zero dollars per year. Grant's share of the Annual Debt Payment is equal to \$27,996. Grant can choose to pay \$27,996 per year through 2018 as described in Section 7 (Grant's Payment of Costs) or it can pay Douglas \$167,974 for Grant's final six (6) years of Annual Debt Payments (2012/2013 to 2017/2018).

D. New Capital Costs.

Grant PUD will be required to reimburse Douglas, at Grant's Facility Utilization Rate, for all future capital hatchery improvements funded by Douglas, that either directly or indirectly affects Grant's fish or programs. Grant PUD's share of those costs will be known as Grant PUD's New Capital Costs. Grant PUD's New Capital Costs will be calculated by multiplying the actual cost of the modifications, additions, renewals, replacements, betterments or improvements times Grant's Facility Utilization Rate.

To the extent that New Capital Costs are anticipated, Douglas will provide Grant with notification at least six (6) months prior to the anticipated costs being incurred. Should Douglas or Grant be the sole beneficiary of a New Capital Cost, then that Party shall be responsible for paying one hundred percent (100%) of the New Capital Cost. Should other parties participate in these New Capital Improvements, then their proportional share of the program shall reduce or off-set the New Capital Costs incurred by Grant and Douglas.

The installation of a new circular pond for Douglas PUD's sturgeon program is an example of a New Capital Cost that does not benefit Grant. The development of a new groundwater well to supplement the water supply to the Wells Fish Hatchery is an example of a New Capital Cost that benefits both parties.

7. GRANT'S PAYMENT OF COSTS.

A. Engineering, Design and Construction Costs.

1) Pre-Bid EDC Costs.

Douglas shall continue to include Grant's hatchery programs in its design for the modernization of the Wells Fish Hatchery provided that Grant reimburses Douglas for its share of the pre-bid EDC Cost, including its share of the pre-bid EDC costs incurred back to February 1, 2012. Grant shall reimburse Douglas quarterly for its proportional share of both past and future pre-bid EDC Costs. Past costs will be included in the first quarterly invoice after this Agreement takes effect. Future pre-bid EDC Costs will be billed quarterly to Grant based upon actual costs incurred.

2) Post-Bid EDC Costs.

Prior to the initiation of hatchery construction and sixty (60) days prior to the project going to public bid, Grant will provide Douglas with a lump sum capital payment that includes ten percent (10%) of Douglas PUD's estimated post-bid EDC Costs. The intent of this payment is to ensure that Grant is committed to the modernization project before it goes to public bid and to ensure that Douglas does not need to issue construction bonds on behalf of Grant. If the engineering and construction contracts awarded are less than seventy (70%) of the estimated post-bid EDC Cost, then

Douglas will reimburse Grant for eighty (80%) of the difference between the estimated post-bid EDC Cost and the post-bid contract(s) awarded. Douglas shall reimburse Grant for these differences within sixty (60) days of the contracts being awarded.

Within ninety (90) days following the completion of the hatchery modernization project, the final actual EDC Costs will be calculated and a reconciliation statement will be issued to Grant with payment to be made by the owing party within thirty (30) days.

B. Annual Hatchery Costs, Annual Debt Payment and New Capital Costs.

Provided Grant pays for its proportional share (Facility Utilization Rate) of the Annual Hatchery Costs, Annual Debt Payments and any New Capital Costs associated with the operation of the Wells Fish Hatchery, then Douglas will continue to rear Grant's various fish species including up to 110,000 yearling steelhead smolts, at eight fish-per-pound, at the Wells Hatchery.

Because the Wells Project fiscal year runs from September 1st to August 31st, quarterly invoices will be mailed to Grant at the end of each fiscal quarter. Invoices for one quarter of the estimated Annual Hatchery Costs and any actual New Capital Costs will be mailed to Grant within seven (7) days following December 1st, March 1st, June 1st and September 1st of each year that this Agreement is in effect. Within one-hundred-twenty (120) days following the end of the Wells Project fiscal year, and prior to the following year's first quarter invoice (December 1st invoice), Douglas will compare the estimated Annual Hatchery Costs billed to Grant versus the actual Annual Hatchery Costs received. If the estimated Annual Hatchery Costs are greater than the actual costs incurred, then the difference between the estimated and actual costs will be credited to Grant. Grant PUD's credit will be applied against Grant PUD's next quarterly invoice(s). If the estimated Annual Hatchery Costs billed to Grant were less than the actual costs, the difference will be invoiced to Grant and Grant will pay the invoice within thirty (30) days of receipt.

The invoice containing Grant's Annual Debt Payment will be submitted to Grant within seven (7) days following August 31st of each year that this Agreement is in effect, provided that Grant shall not be required to pay any Annual Debt Payments after payment of the invoice for the August 31, 2018 Annual Debt Payment. Grant will pay this invoice within thirty (30) days of receipt.¹

¹ During the first year of the Interlocal Cooperative Agreement, Douglas will send Grant an invoice for the first year's Annual Debt Payment within ten (10) days of the Agreement being approved by Grant and Douglas. Grant is required to pay this invoice within thirty (30) days of receipt.

New Capital Costs will be billed to Grant based upon actual costs incurred and will be included within Grant's next quarterly billing invoice. Grant will pay this invoice within thirty (30) days of receipt.

Invoice Submittal

Douglas shall submit invoices to Grant as follows:

Rebecca Henricks, Sr. Contract Officer
Public Utility District No. 2 of Grant County, WA
PO Box 878
Ephrata, WA 98823
Or rhenric@gcpud.org with a copy to lwarren@gcpud.org
(509) 754-6750

8. INSURANCE

Douglas will carry and maintain the following liability insurance coverage during the term of this Agreement, subject to reasonable increases in the amount of coverage from time to time.

A) Commercial General Liability Insurance - \$500,000 per occurrence/\$1,000,000 aggregate.

B) Automobile Liability Insurance - \$1,000,000 per occurrence combined single limit of liability (covering any vehicles used in connection with the work).

C) Pollution Legal Liability - \$1,000,000 of Commercial General Liability covering sudden and accidental pollution during construction and operation.

D) Property Insurance - All Risk Property Insurance or Builder's Risk Insurance covering all facilities constructed as part of this Agreement and associated equipment including coverage for flood damage for the full replacement cost of the infrastructure covered under this Agreement.

Additional Insured. Such insurance, as provided in A & C above, shall include Grant, its officers, elected officials, employees, and agents as additional insured with respect to Grant's liability arising out of or related to Douglas's negligence in the performance of services under this Agreement, and shall not be reduced or cancelled without forty-five (45) days prior written notice to the Districts.

Such insurance, shall indemnify Douglas PUD against covered loss or damage from liability imposed by law upon, or assumed under the Agreement by Douglas PUD

or its subcontractors for damages on account of such public liability, property damage, products liability or completed operations liability.

Any proceeds from an insurance claim related to the repair or replacement of damaged infrastructure, utilized to raise fish for Grant and Douglas, shall be applied to the repair or replacement of the damaged infrastructure prior to Grant or Douglas proportionally sharing any capital repair or replacement costs.

9. FAILURE TO PERFORM

If any Party determines that another Party is not in compliance with one or more of the requirements of this Agreement, it shall notify the other Party within five (5) business days of such determination.

10. NOTIFICATION.

A. Notification to Douglas.

At least once each year during the term of this Agreement and at least six (6) months prior to brood collection, Grant shall provide written notification to Douglas of the number, species, and population of fish that Grant would like Douglas to rear for them at the Wells Fish Hatchery.

B. Notification to Grant.

Douglas shall, within sixty (60) days of receiving such notification, respond in writing with an estimate of the Annual Hatchery Cost. To the extent practicable, Douglas shall also provide Grant with a written estimate of any New Capital Costs that have a benefit to Grant during the upcoming fiscal year.

11. REPRESENTATIVES OF THE PARTIES

- A. For Grant PUD all notices shall be sent to:
Shannon Lowry (Fish Program Supervisor)
Natural Resources Division
Public Utility District No. 2 of Grant County, WA
PO Box 878
Ephrata, WA 98823
Phone: (509) 754-5088 ext. 2191
Email: slowry@gcpud.org

Notices shall also be sent to:
Jeff Grizzel (Natural Resources Director)

Public Utility District No. 2 of Grant County, WA
PO Box 878
Ephrata, WA 98823
Phone: (509) 754-5088 ext. 2320
Email: jgrizzel@gcpud.org

B. For Douglas PUD all notices shall be sent to:

Greg Mackey (Fisheries Biologist)
1151 Valley Mall Parkway
East Wenatchee, WA 98802
Phone: 509-881-2489
Email: gregm@dcpud.org

Notices shall also be sent to:

Shane Bickford (Natural Resources Supervisor)
1151 Valley Mall Parkway
East Wenatchee, WA 98802
Phone: 509-881-2208
Email: sbickford@dcpud.org

12. ANNUAL BUDGET MEETING.

Prior to the implementation of each year's hatchery program, representatives from Grant and Douglas, as mutually agreed upon, will meet to discuss progress on the modernization project, to discuss any proposed changes to the hatchery programs, and to establish an annual budget for the following year's hatchery programs. The annual budget will include an estimate of that year's Annual Hatchery Costs, any applicable Annual Debt Service Payment and any proposed New Capital Costs.

The Parties to this Agreement shall meet quarterly to discuss program costs, production goals and to coordinate fish production and evaluation activities.

13. HATCHERY IMPROVEMENTS.

If either Grant or Douglas is required to make physical modifications or additions to the hatchery programs or acclimation ponds because of an individual requirement of either Grant or Douglas alone, then the costs of the modifications or additions will be entirely the responsibility of that Party (Grant or Douglas) and will not be covered by this Agreement and will not be included in the budget required under Section 12 (Annual Budget Meeting). All other mutually beneficial hatchery improvements shall be covered under this Agreement and the costs shared based upon the Facility Utilization Rate of Grant and Douglas at the time of the improvement.

14. AVAILABLE CAPACITY ADJUSTMENTS.

The Wells Habitat Conservation Plan (HCP) provides for periodic adjustments in the evaluation and hatchery compensation programs. Adjustments to hatchery production levels may occur after survival studies or in 2023 and every ten (10) years thereafter to achieve and maintain the HCP No Net Impact conditions. Unforeseen adjustments in hatchery production or program operations may impede the implementation of this Agreement in future years and may require Douglas to seek early termination or substantial modification to this Agreement.

Because of the numerous opportunities for adjusting hatchery programs, Douglas and Grant, as mutually agreed upon, shall meet quarterly to discuss changes in the Annual Hatchery Costs and New Capital Costs related to this Agreement. Three (3) years advance written notice will be given to Grant if Douglas can no longer raise fish for Grant at the Wells Fish Hatchery.

Grant will be required to provide Douglas three (3) years advance written notice should it desire to terminate this Agreement. However, should Grant terminate this Agreement early, Grant will be obligated to provide financial support to those fish being raised on Grant PUD's behalf until those fish are either transferred to a non-Douglas hatchery facility or are released into the natural environment.

15. INDEMNITY

To the full extent permitted by applicable law, Grant and Douglas agree to hold each other harmless and indemnify one another for any acts of negligence committed or caused by one of them or their agents, consultants, employees or sub-contractors against the other or a third party including, but not limited to, property damage, loss of fish and personal injury or death. The Parties stipulate that this indemnity provision was mutually negotiated.

Limitation of Liability: Notwithstanding the foregoing paragraph, in no event shall any Party be liable to another Party for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental, or indirect losses or damages (in tort, contract or otherwise) under or in respect of this Agreement or for any failure of performance related hereto howsoever caused, whether or not arising from such Party's sole, joint, or concurrent negligence. Under no circumstances shall Douglas have any liability to Grant (whether in contract, tort or otherwise) for sickness of, injury to, or death of the salmonid fish which are the subject of this Agreement.

16. ADMINISTRATION OF AGREEMENT.

This Agreement shall be jointly administered by a representative of Douglas and a representative of Grant. Absent written notice by one Party to the other, the administrators shall be: Douglas - Mr. Shane Bickford (Natural Resources Supervisor); Grant - Mr. Jeff Grizzel (Natural Resources Director).

17. COUNTERPARTS.

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall be deemed one and the same document.

18. AUTHORITY.

Each person signing this Agreement has the full authority of the entities on behalf of which they are signing to execute this Agreement and to bind those entities to the terms of this Agreement.

19. JURISDICTION AND VENUE.

This Agreement is made, executed under and is to be construed by the laws of the State of Washington. In the event of a suit, the undersigned agree that the venue for such suit shall be in the county where the defendant has its headquarters. Grant and Douglas stipulate that a visiting judge shall be assigned to the case so that a resident judge, who is also a customer of either Grant or Douglas, will not hear the case. The substantially prevailing Party in any legal action herein shall be entitled to reasonable attorney fees and all reasonable costs, including, but not limited to, expert witness fees and travel and lodging expenses.

20. DISPUTE RESOLUTION

If any dispute arising among the Parties in relation to this Agreement is not resolved after good faith efforts of the Parties to reach a resolution, the dispute shall be submitted to binding arbitration. In the event that the Parties cannot agree to an arbitrator, each Party may select one arbitrator. The selected arbitrators shall then select a third arbitrator. In the event that the selected arbitrators cannot agree to the third arbitrator, the third arbitrator shall be selected by the Superior Court of Douglas County. The decision of the majority of the arbitrators shall be final and binding. Unless otherwise agreed, the arbitration shall be conducted in accordance with Washington's Mandatory Arbitration Rules. Judgment upon any award rendered by an arbitrator may be entered in any court or administrative body having appropriate jurisdiction. The Parties shall equally share the cost of any arbitration process, including the cost of the third arbitrator, court reporter, and room rental. Each Party shall pay for its selected arbitrator. The substantially prevailing Party shall be entitled to an award for its reasonable legal fees and costs.

21. EFFECT OF OTHER AGREEMENTS.

This Agreement shall not change or affect the responsibilities and obligations of Douglas's Wells HCP, Off-License Wildlife and Resident Fish Settlement Agreement or the Wells Aquatic Settlement Agreement. The intent of this Agreement is to facilitate the development of dependable hatchery infrastructure at the Wells Fish Hatchery site and to make the most efficient use of existing hatchery facilities toward meeting Grant PUD's mitigation obligations as outlined in its long-term fish and relicensing agreements. Any modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement shall be binding only if evidenced in writing signed by each Party. This Agreement constitutes the entire agreement between the parties, and any prior understanding or representation of any kind preceding the date of this Agreement shall not be binding on either Party except to the extent incorporated in this Agreement.

22. ENTIRE AGREEMENT.

This Agreement, including documents expressly incorporated by reference, constitutes the entire agreement between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

23. UNCONTROLLABLE FORCES.

The Parties shall not be in breach of their respective obligations to the extent that the failure to fulfill any obligation is due to an Uncontrollable Force. "Uncontrollable Force" means an event beyond the reasonable control of, and without the fault or negligence of, the Party claiming the Uncontrollable Force that prevents that Party from performing its contractual obligations under this Agreement and which, by exercise of that Party's reasonable care, diligence and foresight, such Party was unable to avoid. Uncontrollable Forces include, but are not limited to:

1. strikes or work stoppage;
2. floods, earthquakes, or other natural disasters; terrorist acts; and
3. final orders or injunctions issued by a court or regulatory body having competent subject matter jurisdiction which the Party claiming the Uncontrollable Force, after diligent efforts, was unable to have stayed, suspended, or set aside pending review by a court of competent subject matter jurisdiction.

Neither the unavailability of funds or financing, or conditions of national or local economies or markets shall be considered an Uncontrollable Force. The economic hardship of any Party shall not constitute an Uncontrollable Force. Nothing contained in this provision shall be construed to require any Party to settle or strike or labor dispute in which it may be involved.

If an Uncontrollable Force prevents a Party from performing any of its obligations under this Agreement, such Party shall: (1) immediately notify the other Party of such Uncontrollable Force by any means practicable and confirm such notice in writing as soon as reasonably practicable; (2) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance of its obligation hereunder as soon as reasonably practicable; (3) keep the other Parties apprised of such efforts on an ongoing basis; and (4) provide written notice of the resumption of performance.

24. WAIVERS.

No waiver of any provision or breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving Parties, and any such waiver shall not be deemed a waiver of any other provision of this Agreement or any other breach of this Agreement.

25. ASSIGNMENT.

This Agreement is binding on any successors and assigns of the Parties. No Party may otherwise transfer or assign this Agreement, in whole or in part, without the other Party's written consent. Such consent shall not be unreasonably withheld.

26. SIGNATURES.

The Parties have caused this Agreement to be executed as of the latest date that all Parties have signed this Agreement.

IN WITNESS WHEREOF, each Party to this Agreement has caused it to be executed on the date indicated below.

PUBLIC UTILITY DISTRICT NO. 2 PUBLIC UTILITY DISTRICT NO. 1
OF GRANT COUNTY, WASHINGTON OF DOUGLAS COUNTY, WASHINGTON

By: [Signature] By: [Signature]
Title: Natural Resources Director Title: General Manager
Date: 3-25-13 Date: April 1, 2013

EXHIBIT A

GRANT PUD AMENDED DESIGN CRITERIA AND CAPACITY REQUEST
LETTER, SEPTEMBER 13, 2012



Grant County
PUBLIC UTILITY DISTRICT
Excellence in Service and Leadership

September 13, 2012

Shane Bickford
Natural Resources Manager
Douglas PUD
1151 Valley Mall Parkway
East Wenatchee, WA 98802

Dear Shane,

This letter is a follow-up to the one sent to you on August 22, 2012 and is intended to amend the design criteria and capacity request for Grant PUD's Okanogan and Omak steelhead programs at Wells Hatchery.

Grant PUD requests the following design criteria and infrastructure be included in the overall design for the Wells Hatchery modernization project to support our long-term summer steelhead programs. Please let me know if additional criteria are needed for planning purposes.

- Space for up to 110K total production, including capacity for adult holding, incubation, and rearing to keep the two programs separate based on the following design criteria:
 - Flow requirements for adult holding at 2.5 cubic feet and 2.0 gallons per minute, per adult. Grant PUD would like to explore the use of existing facilities to hold adults for two programs.
 - Three double incubation stacks for total program production with a wall between stacks #1 and #2 (Okanogan stock) and stack #3 (Omak stock).
 - Rearing facilities comprised of eight (8) 20-foot diameter, 4-foot high circular tanks operated at 3-1/2 foot depth (including jump screens), with the capacity and necessary support infrastructure to install two additional tanks should they be needed in the future. The smolt density index should be 0.20 lbs/ft³/in and the flow index of 0.75 lbs/gpm/in.

Additionally, it is Grant PUD's intention to pay upfront capital costs to avoid future annual space utilization fees. In order to develop and obtain approval for the budget associated with the

upgrades, Grant PUD will need a cost estimate for the facility design and construction prior to finalizing the new ILA.

Grant PUD appreciates its long-standing partnership with Douglas PUD for use of excess capacity at both Methow Hatchery and Wells Hatchery. We look forward to working with you on developing the renewed interlocal agreements for production at both facilities.

Please call if you have any questions (509-754-5088, ext. 2191 or 509-289-9244).

Sincerely,

A handwritten signature in black ink, appearing to read "Shannon Lowry". The signature is fluid and cursive, with a long, sweeping tail on the "y".

Shannon Lowry
Hatchery/Habitat Program Supervisor

Cc: Jeff Grizzel, Grant PUD
Tom Dresser, Grant PUD
David Duvall, Grant PUD
Todd Pearsons, Grant PUD
Greg Mackey, Douglas PUD