

**INTERLOCAL AGREEMENT BETWEEN PUBLIC UTILITY
DISTRICT NO. 1 OF KITSAP COUNTY AND FIRE DISTRICT
NO. 10 OF KITSAP COUNTY FOR USE AND MAINTENANCE
OF GENERATOR LOCATED AT 23260 SOUTH KINGSTON
ROAD, KINGSTON, WASHINGTON**

WHEREAS the Interlocal Governmental Cooperation Act as codified in RCW 39.34 provides for interlocal cooperation and agreement between governmental entities, and

WHEREAS the parties desire to enter into an interlocal agreement under the authority of that statute,

Now therefore, the parties agree as follows:

1. PARTIES: Public Utility District No. 1 of Kitsap County (hereinafter "KPUD") and North Kitsap Fire and Rescue of Kitsap County (hereinafter "North Kitsap Fire and Rescue").
2. PURPOSE OF THE AGREEMENT: North Kitsap Fire and Rescue owns a 125 KW generator located at 23260 South Kingston Road in Kingston, Washington. It is the purpose of this agreement to provide for use and maintenance of this generator to be shared between the parties.
3. BACKGROUND: The generator referenced above was installed by North Kitsap Fire and Rescue pursuant to a developers extension agreement entered into between North Kitsap Fire and Rescue and KPUD. It is the desire of the KPUD to allow this generator to be used for other customers on the KPUD water system. This agreement will allow for joint utilization of the generator.
4. GENERATOR OPERATION AND MAINTENANCE: North Kitsap Fire and Rescue will provide for the ordinary operation and maintenance on the generator. Any repair to the generator above and beyond ordinary maintenance shall be shared in fifty-percent by each party. North Kitsap Fire and Rescue shall provide KPUD with a written estimate of any major maintenance or repair items in writing prior to commencement of work and shall obtain written approval from KPUD for such work unless an emergency exists. In the event of an emergency, North Kitsap Fire and Rescue shall undertake the major maintenance and repair and KPUD shall pay fifty-percent of such maintenance and repair upon receipt an invoice from North Kitsap Fire and Rescue.
5. REPLACEMENT OF GENERATOR: If and when the generator owned by North Kitsap Fire and Rescue needs to be replaced, KPUD will pay for one-half of its replacement.
6. JOINT UTILIZATION: It is agreed between the parties that in return for KPUD agreeing to share in major maintenance and replacement of the generator, the generator will be available for use by KPUD for service of other customers.
7. TERM: The term of this agreement shall run from the date of this agreement for five years and shall automatically be extended for additional five year terms unless written notice of termination is provided by either party at least sixty days prior to each five year

termination date. Upon renewal all terms and conditions shall remain the same. Termination can occur earlier by mutual agreement.

8. INDEMNIFICATION: North Kitsap Fire and Rescue and KPUD agree to indemnify and hold each other harmless from any claims by third persons that may arise as a result of KPUD supplying generator use to other KPUD customers on the KPUD water system except for those claims which arise as a result of the sole negligence of either party.

9. INSURANCE: North Kitsap Fire and Rescue agrees that it will insure for any claims by third persons that may arise from its customers with regard to claims regarding the use and maintenance of the generator.

10. ARBITRATION: In the event of a dispute, the matter shall be subject to arbitration under the rule of the American Arbitration Association. Each party shall appoint one qualified arbitrator within thirty days of the written request for arbitration. The two arbitrators so appointed shall appoint a third arbitrator within an additional 30 days. The three arbitrators shall conduct a hearing within 90 days of the appointment of the third arbitrator and shall produce a decision within 120 days of the appointment of the third arbitrator. The results of any arbitration shall be final and conclusive and may be revised or vacated only as presently allowed by RCW Chapter 7.04. Pre-hearing discovery shall be limited to document production and depositions only and the burden of proof shall be with the party requesting arbitration. The cost of arbitration shall be shared equally by the parties thereto and each party shall pay its own costs and attorney's fees unless the arbitration panel rules that the matter was brought frivolously in which case the party frivolously bringing the matter to arbitration shall pay all costs of arbitration and the attorney's fees and costs of the other party.

11. RECORDS: Permanent books and records shall be kept by North Kitsap Fire and Rescue of maintenance and repairs costs incurred and paid for. The records required by this paragraph shall be available for examination at any reasonable time by either party. Such records, or copies thereof, shall be maintained for at least five years and in complete compliance with State of Washington law.

12. NOTICE: Whenever in this agreement notice is required to be given, the same shall be given by Registered Mail addressed to the respective parties at the following addresses:

Public Utility District No. 1 of Kitsap County
P.O. Box 1989
Poulsbo, Washington 98370

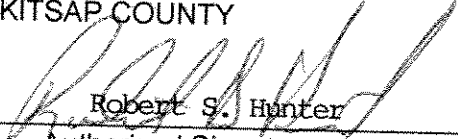
North Kitsap Fire and Rescue
P.O. Box 41-26642 Muller Bay Rd N.E.
Kingston, Washington 98346

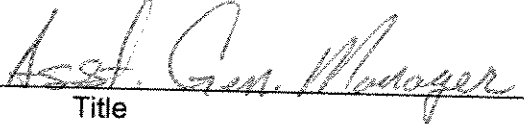
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Dated this 19th day of December, 2005.

PUBLIC UTILITIES DISTRICT NO. 1
OF KITSAP COUNTY

By: 
Robert S. Hunter
Authorized Signature


Asst. Gen. Manager
Title

NORTH KITSAP FIRE AND RESCUE

By: 
William C. Gregory
Authorized Signature


Brian Bradford
Title