

**CLAIM COMPROMISE AGREEMENT WITH RATEPAYER
EXHIBIT A TO FACILIATING SETTLEMENT AGREEMENT**

This Claim Compromise Agreement (hereinafter "CCA") is entered into by and between the CITY OF SEQUIM, a municipal corporation of the State of Washington ("City"); and

("Owner Ratepayer").

RECITALS

A. Owner Ratepayer owns property in Highland Hills, a residential subdivision adjacent to the city limits of Sequim, Washington.

B. Highland Hills Maintenance Commission ("HHMC") is an organization consisting of members who own property in Highland Hills, as was its predecessor Highland Hills Development Company ("HHDC"). In 1983, and 1992, the City and HHDC entered into agreements which transferred the Highland Hills sewer system to the City and fixed the sewer rates to be charged by the City to the members of HHMC at 1½ times the amount charged to City residents. In June 1999, the City adopted a new two-tier system of sewer rates. The City does not meter its sewage effluent, but uses water consumption to determine the sewer tier rate. The lower tier is applied to residents consuming less than 801 cubic feet of water per month, and the higher tier for greater consumption. Thereafter, the City, allegedly contrary to the express terms of the existing contracts, charged all HHMC members at 1½ times the higher tier, without regard to whether the actual water usage entitled the HHMC member to the lower tier rate. The City sets the sewer rate at the higher tier unless lower usage is documented. The Facilitating Settlement Agreement identifies a process to quantify water usage for HHMC members who are not on City water.

C. HHMC and the City have negotiated this Claim Compromise Agreement to settle HHMC members' claims for overpayment of sewer charges for those members who elect to participate. For every HHMC member who opts to enter into this agreement, the City will issue a refund of overcharges from August 2007 to date and will apply future sewer rates in accordance with the 1983 agreement, all as set forth below. The parties

acknowledge that this agreement does not affect any potential claim of other HHMC members who do not enter into a similar agreement.

NOW, THEREFORE, in consideration of the following mutual promises and covenants, the parties agree as follows:

1. The applicable sewer rate to be charged by the City to Owner Ratepayer is 1½ times the rate charged by the City to residents within Sequim city limits. City currently has a two-tier rate based on consumption of either less than 801 or more than 800 cubic feet per month during the prior period November through April. If the City's rates change in the future, the charges to be paid by Owner Ratepayer will be adjusted, but in any event will not be greater than 1½ times the rate charged for equivalent use by City residents.

2. City will refund to Owner Ratepayer all overcharges for the period commencing August 2007, during which Owner Ratepayer owned property in Highland Hills and paid sewer charges to City. All refunds will be in the form of rate discount on future monthly billings. It is the sole responsibility of Owner Ratepayer to complete a City Sewer Rate Tier Adjustment Request form (Exhibit 1), and submit it under penalty of perjury with PUD documents which establish average monthly water usage not exceeding 801 cubic feet for the months of November through April beginning November 2006. For the years in which Owner Ratepayer's average monthly use did not exceed 801 cubic feet per month, City shall refund the difference between the lower and higher tier rates. The "rate tier" year is May through April, but an annual rate increase is applied in January. The tier discount for the "calendar" year is as follows:

For the calendar year 2007, \$8.75/mo..

For the calendar year 2008, \$9.18/mo.

For the calendar year 2009, \$10.56/mo.

For the calendar year 2010, \$12.15/mo. thru June 2010.

3. Commencing July 2010, the City will begin making refunds based on eligibility for each year in the following manner:

City will calculate any refund due by adding any refund due for the last 5 months in 2007 at the rate of \$8.75 per month, any refund due for 12 months in 2008 at the rate of \$9.18 per month any refund due for 12 months in 2009 at the rate of \$10.56 per month and any refund due for months in 2010 at the rate of 12.15 per month. That total refund will be divided by 24

and such amount will be paid in the form of a discount over the 24 months commencing with the August 2010 bill. The city reserves the right to apply the amount of the refund over a shorter period of time. Future rates will be adjusted in the same manner as adjusted for in-city residents rates (except reflected in the August bill instead of in the June) multiplied by 1.5. The city will include in the August 2010 bill, its above calculation.

4. If Owner Ratepayer sells or otherwise transfers the property before the refund has been satisfied, then Owner Ratepayer will not be entitled to any payment of the remaining refund; however, Owner Ratepayer may transfer to the new owner the right to receive the remaining refund.

5. To be entitled to a lower tier rate in the future, Owner Ratepayer has the sole responsibility to submit to the City by June 30 of each year a City Sewer Rate Tier Adjustment Request form under penalty of perjury verifying that Owner Ratepayer's water usage meets the criteria for the lower tier sewer rate. Unless that verification is timely received by the City, the sewer charges for the following year may be based on the higher tier. The City may change its sewer rate structure or criteria which now provides for the lower tier in which case HHMC members will be billed at 1 ½ time city residents' rates but, if rates are based on water consumption, Owner Ratepayer may still have to supply PUD water consumption information to the city and the claims process may need to be modified to comply with the change in the rate structure, including lower tier criteria.

6. This agreement is binding upon and shall inure to the benefit of each of the parties, its successors, heirs and assigns. It is a full and complete resolution of all claims by Owner Ratepayer for refund and damages regarding the payment of sewer fees by Owner Ratepayer to the City. This agreement constitutes a compromise concerning disputed claims. The content, execution, and performance of this Agreement does not constitute, and shall not be construed as, an admission of fact, liability, fault or responsibility of any party and falls within the settlement document provisions of ER 408. Each party acknowledges that he or she has consulted with his or her attorney, or has voluntarily chosen not to do so; and that they have executed this Agreement after independent investigation.

7. Except as provided in this Agreement, each of the parties releases the others from any and all claims, demands, damages,

controversies or suits of any kind or nature whatsoever, whether known or unknown, asserted or not asserted, foreseen or unforeseen, arising from City's application of sewer rates, fees and charges to Owner Ratepayer, and the payment thereof by Owner Ratepayer, up to the date of this Agreement.

8. This agreement is not expressly or impliedly intended for the benefit of any third party, and is neither expressly nor impliedly enforceable by any third party. Only the parties to this Agreement may benefit by its terms.

9. Each person or entity executing this Agreement on behalf of another represents and warrants that he or she is fully authorized to execute and deliver this Agreement on behalf of the entity or party for which he or she is signing. The Parties hereby warrant to each other that each has full power and authority to enter into this Agreement and to undertake the actions contemplated herein, and that this Agreement is enforceable in accordance with its terms.

10. This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. No amendment or modification to this Agreement shall be valid or effective unless made in writing and executed by the Parties after the effective date of this Agreement. Nothing contained herein prohibits the City from making future changes to the procedures, methods, and rates for sewer usage, which are consistent with the original 1983 agreement and amendments thereto between the city and HHMC.

11. Each of the parties hereto releases HHMC, its trustees, officers, members and agents from any and all claims, demands, damages, controversies or suits of any kind or nature whatsoever, whether known or unknown, asserted or not asserted, foreseen or unforeseen, arising from the negotiation, preparation, and execution of the Facilitating Settlement Agreement and the negotiation, preparation, and recommendation of this Claims Compromise Agreement to members who opt to settle their claims with the City.

12. This agreement may be executed in counterparts, and each shall be deemed to constitute an original agreement, and all of which shall constitute one agreement

DATED: March 23, 2010.

CITY OF SEQUIM

By Ken Hays
Ken Hays, Its Mayor

As approved in open public meeting on 3-22-10

DATED: _____, 2010

OWNER RATEPAYER

Printed name _____

Parcel number _____

Utility bill number _____

SEWER RATE TIER ADJUSTMENT REQUEST
(must be received by City of Sequim by June 30, 2010)

Name of Owner Ratepayer _____

Address of property _____

City of Sequim sewer bill account number _____

I am the owner of the above property. The attached PUD issued water usage documentation is true and correct. I have signed a Claim Compromise Agreement with the City of Sequim. I am requesting refunds for sewer overpayments, which I paid to the City of Sequim for the following periods:

11/1/06 thru 4/30/07:

PUD issued water use (in cubic feet) for Nov 06 _____, Dec 06 _____, Jan 07 _____,
Feb 07 _____, Mar 07 _____, Apr 07 _____
Total water usage (add all 6 numbers entered above) _____
Six month average (divide total water usage above by 6) _____

11/1/07 thru 4/30/08:

PUD issued water use for Nov 07 _____, Dec 07 _____, Jan 08 _____, Feb 08 _____,
Mar 08 _____, Apr 08 _____
Total water usage (add all 6 numbers entered above) _____
Six month average (divide total water usage above by 6) _____

11/1/08 thru 4/30/09:

PUD issued water use for Nov 08 _____, Dec 08 _____, Jan 09 _____, Feb 09 _____,
Mar 09 _____, Apr 09 _____
Total water usage (add all 6 numbers entered above) _____
Six month average (divide total water usage above by 6) _____

11/1/09 thru 4/30/10:

PUD issued water use for Nov 09 _____, Dec 09 _____, Jan 10 _____, Feb 10 _____,
Mar 10 _____, Apr 10 _____
Total water usage (add all 6 numbers entered above) _____
Six month average (divide total water usage above by 6) _____

I declare under penalty of perjury that the foregoing is true and correct.

Signed on _____ 2010, at _____, _____.
Place State

Owner (signature)