

**INTERLOCAL AGREEMENT
BETWEEN WASHINGTON STATE DEPARTMENT OF CORRECTIONS AND THE
LOTT ALLIANCE FOR RECEIVING WASTE SLUDGE**

This agreement is made and entered into this 8th day of April, 2009 by and between the LOTT Alliance, herein referred to as "LOTT," and Washington State Department of Corrections, herein referred to as "DEPARTMENT."

Whereas, RCW 39.34.010 permits local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population and other factors influencing the needs and development of local communities; and

Whereas, pursuant to RCW 39.34.080, each party is authorized to contract with any one or more other public agencies to perform any governmental service, activity, or undertaking which each public agency entering into the contract is authorized by law to perform provided that such contract shall be authorized by the governing body of each party to the contract and shall set forth its purposes, powers, rights, objectives and responsibilities of the contracting parties;

NOW, THEREFORE, in consideration of the mutual promises contained herein and the documents incorporated herein, the parties agree as follows:

I. Purpose

The purpose of this Agreement is to allow waste sludge from DEPARTMENT's Cedar Creek Corrections Center treatment facility to be delivered to LOTT's Budd Inlet Treatment Plant for final treatment and disposition.

II. Scope of Work Agreement

A. LOTT agrees to accept waste sludge from DEPARTMENT's treatment facility at Cedar Creek Corrections Center and to treat said sludge which is to be delivered up to four times a month to the Budd Inlet Treatment Plant by DEPARTMENT or their designee approved by LOTT. The hauler will deliver DEPARTMENT's waste sludge to LOTT's Budd Inlet Treatment Plant. The parties agree upon a quantity up to but not more than 20,000 gallons per month at an average solids concentration no greater than 3%.

B. DEPARTMENT agrees to supply LOTT with a Customer Survey List identifying potential industrial dischargers to their system and to notify LOTT of changes to this list as they are made.

C. The parties agree that this is not the long-term solution for disposal of DEPARTMENT's biosolids, but is intended as a temporary solution while the DEPARTMENT develops a comprehensive plan for biosolids management.

D. Any contracted work related to this Agreement shall be in accordance with this Agreement and all applicable city, state, and federal laws and regulations.

III. Payment

A. LOTT agrees to provide complete treatment of DEPARTMENT's waste sludge. The treatment requirements for waste sludge received by LOTT are similar to that of domestic septage loads. As a result, LOTT will charge DEPARTMENT the current domestic septage disposal rate. Beginning January 1, 2009, the rate charged DEPARTMENT will be \$11.76 per 100 gallons of waste sludge received to correspond with the scheduled increase in the domestic septage disposal rate. See Attachment A.

B. LOTT will also charge DEPARTMENT for any additional treatment, labor, biosolids hauling or disposal, or any other costs incurred by LOTT that are directly related to the receiving of DEPARTMENT's waste sludge, and deemed not to be covered by the waste receiving rate charged DEPARTMENT, as described in III A. above.

C. DEPARTMENT shall remit payment to LOTT monthly for all outstanding charges at the time of payment. The amounts paid shall include all applicable sales and use tax.

IV. Indemnification

A. LOTT agrees to defend, indemnify and hold DEPARTMENT, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including reasonable attorney fees, arising out of or in connection with the LOTT'S performance of the Agreement, except to the extent such injuries and damages are caused by the negligence of DEPARTMENT, its officers, officials, employees and volunteers.

B. DEPARTMENT agrees to defend, indemnify and hold LOTT, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including reasonable attorney fees, arising out of or in connection with DEPARTMENT's performance of this Agreement, except to the extent such injuries and damages are caused by the negligence of LOTT, its officers, officials, employees and volunteers.

V. Joint Board

This Agreement creates no Joint Board and no separate legal entity.

VI. Duration of Agreement

This Agreement shall be effective until 12:00 PM on December 31, 2009 unless the parties agree in writing to extend the Agreement up to, and including, 12:00 PM on December 31, 2010. This Section shall not affect the termination provisions of Section VII.

VII. Termination of Agreement

This Agreement may be terminated upon thirty (30) days' notice to the other party using the method of notice provided for in this Agreement.

VIII. Entire Agreement

This Agreement sets forth all terms and conditions agreed upon by DEPARTMENT and LOTT and it supersedes any and all prior agreements oral or otherwise with respect to the subject matter addressed herein.

IX. Recording

This Agreement shall be filed with the Thurston County Auditor's Office or posted upon the websites or other electronically retrievable public source as required by RCW 39.34.040.

X. Notice

Any notice required under this Agreement shall be to the party at the address listed below and shall become effective three days following the date of deposit in the United States Postal Service.

David Jansen, Director
Department of Corrections
MS: 41112
Olympia, WA 98504-1112

Laurie Pierce, Facilities Director
LOTT Alliance
500 Adams Street NE
Olympia, WA 98501

XI. Equal Opportunity to Draft

The parties have had an equal opportunity to participate in the drafting of this Agreement, and the Exhibits attached. No ambiguity shall be construed against any party upon a claim that that party drafted the ambiguous language.

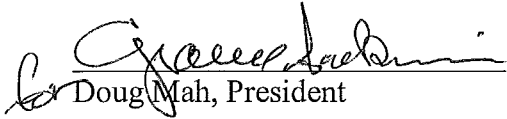
XII. Interpretation and Venue

This Agreement shall be governed by the laws of the State of Washington as to interpretation and performance. The parties hereby agree that venue for enforcement of this agreement shall be the Superior Court of Thurston County.

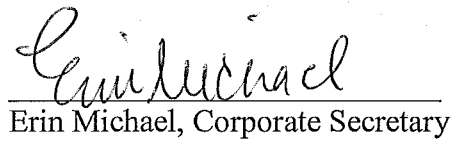
XIII. Effective Date

This Agreement shall take effect on the date of the last authorizing signature affixed hereto.

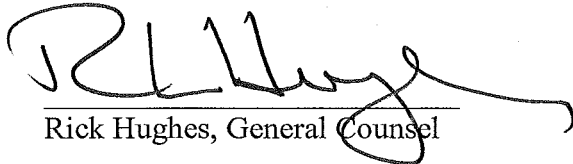
LOTT ALLIANCE


Doug Mah, President

ATTEST:


Erin Michael, Corporate Secretary

Approved as to form:


Rick Hughes, General Counsel

Department of Corrections:


Gary Banning, Contracts Administrator

ATTEST:

Approved as to form:

Peter Berney AAG 3/12/09

ATTACHMENT A
RESOLUTION 02-0141

METHOD FOR ESTABLISHING
SEPTAGE AND NON-SEPTAGE DUMPING FEES
BASED ON THE LOTT WASTEWATER SERVICE CHARGE

Applying domestic septage monitoring data contained in the Environmental Protection Agency Handbook for Septage Treatment and Disposal, (EPA-625/6-84-009) to the current LOTT formula for calculation of Equivalent Residential Units (ERU) gives a value of 0.3173 monthly ERU of domestic sewage equivalent to 100 gallons of domestic septage. Further, the LOTT Alliance Board of Directors has determined the overhead necessary to provide, operate and collect for domestic septage and non-septage dumping equal to a factor of 30%.

To determine the Domestic Septage Dumping Fee using the LOTT monthly Wastewater Service Charge (WSC), the following calculation shall be used:

$$(\text{Current WSC}) \times 0.3173 \times 1.30 = \text{Domestic Septage Dumping Fee/100 gals.}$$

Whereas: 0.3173 = Domestic sewage equivalent factor; and
1.30 = Directly related costs factor

Applying LOTT non-septage monitoring data to the current LOTT formula for calculation of Equivalent Residential Units (ERU) gives a value of 0.0822 monthly ERU of domestic sewage equivalent to 100 gallons of non-septage. Further, the LOTT Alliance Board of Directors has determined the overhead necessary to provide, operate and collect for septage and non-septage dumping equal to a factor of 30%.

To determine the Non-Septage Dumping Fee using the WSC, the following calculation shall be used:

$$(\text{Current WSC}) \times 0.0822 \times 1.30 = \text{Non-Septage Dumping Fee/100 gals.}$$

Whereas: 0.0822 = Domestic sewage equivalent factor; and
1.30 = Directly related costs factor