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Public Utility District No. 1 of Skagit County
Post Office Box 1436, 1415 Freeway Drive
Mount Vernon, WA 98273-1436



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, Skagit County Auditor

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WATER SERVICE AGREEMENT
BETWEEN
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY
AND
THOMAS A. HANCOCK
KAREN HANCOCK
HANCOCK TRUST

This Agreement is entered into this 6th day of August, 1999, between Public Utility District No. 1 of Skagit County, hereinafter referred to as the "District" and **Thomas A. Hancock and Karen Hancock, Hancock Trust** or its successor or assigns, hereinafter referred to as the "Customer".

The Customer, as owner of the property, is entering into this Agreement to secure a water service for property located at **5488 W. Shore Road**. The parcel is located in the Plat of Potlatch Beach Division #1, located in the NW Quarter of Section 35, Township 36 N., Range 1E., under Assessor's Tax Number **R68075**. The District owns and operates a water distribution system that has unusually high costs and has limited capacity at the location of the proposed service(s) and is willing to supply water according to the following terms and conditions of this Agreement:

1. At the time of connection to the system the Customer shall be responsible for paying all costs associated with installing water services to the District system, including, but not limited to, the cost of a meter and a System development fee as provided for in Resolution No. 1861-99, or its successor.
2. The Customer agrees to pay water rate that reflects the high costs associated with the production of the water from the Potlatch System. The water rates shall be established pursuant to Resolution No. 1862-99, or its successor.
3. The District shall use reasonable diligence to provide regular and uninterrupted service to the Customer at approved delivery or discharge point(s), but shall not be liable to the Customer for damages, breach of contract, or otherwise for interruption of service or curtailment of supply for any cause. These could include, but are not limited to, Act of God, sabotage, war, fire, floods, earthquakes, or other catastrophes, strikes or failure of the water production or distribution system. The Customer shall hold the District harmless from any claim for damages related to continuity of service by third parties by the Customer, to the extent that the claim arises out of Customer's negligence.
4. The Customer agrees to pay at least the basic monthly charge as established by Resolution No. 1862-99, or its successor. The Customer further agrees that such charge shall continue whether the service is active or not and the fact that a service has been turned off shall not relieve the Customer from payment of the basic monthly charge. The basic monthly charge shall remain in effect until such time as the District no longer serves water through the Potlatch System.
5. The Customer recognizes that all water will contain chlorinous compounds that are dangerous to aquatic life. The Customer shall pursue, with reasonable diligence, the protection of aquatic life onsite and offsite of the Customer's property.
6. Rights and responsibilities under this Agreement may be assigned in part or in by the Customer with the written consent of the District.
7. This Agreement is subject to, and may be superseded, deleted, or enhanced by, District resolutions now enacted or to be enacted in the future.
8. This Agreement remains in full force until such time as the District provides a replacement source of water supply that conforms to the District's historical standards of reliability, quantity and quality.

9. The customer agrees that nonpayment of any water billings, whether related to the basic monthly charge or the consumption charge, may result in the disconnection of the water service. The Customer agrees to be liable for the basic charge after the service has been disconnected. The Customer agrees that the district may lien customers Real Property for any unpaid charges and that the District may legally foreclose such liens upon Customers failure to pay the full amount due. The Customer agrees to pay all costs of filing, processing and foreclosing the liens herein provided for, including attorney fees and interest upon any unpaid amounts at the rate of twelve percent per annum.
10. Non-compliance of this Agreement by the Customer shall constitute cancellation of use of the service(s).
11. This Agreement shall remain with the land. The District shall record this Agreement with the Assessor's Office of Skagit County.
12. The Customer acknowledges that water quality may vary in the future due to the result of the Federal Safe Drinking Water Act or other governmental requirements.

Washington State Law shall govern this Agreement and all disputes arising thereunder. Venue shall be in the Superior Court of the State of Washington for Skagit County. The prevailing party shall be compensated for attorney fees.

IN WITNESS WHEREOF, parties hereto have executed this Agreement to the day and year first above written.

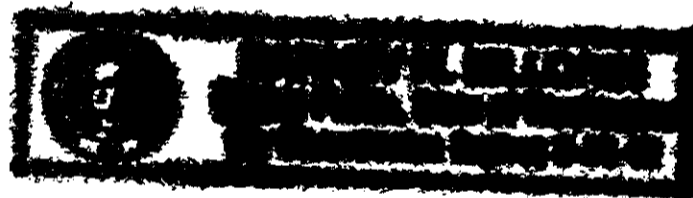
Customer

By: Thomas A. Hancock By: Karen Hancock
 Thomas A. Hancock Karen Hancock

PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY

By: Ken Kukuk
 Ken Kukuk, General Manager

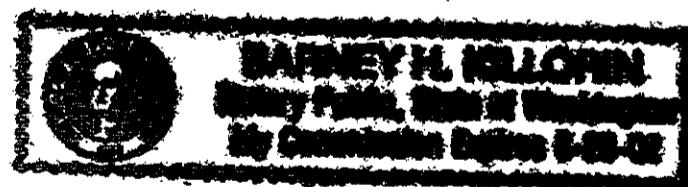
STATE OF WASHINGTON
 COUNTY OF SKAGIT



I certify that I know or have satisfactory evidence that Thomas A. Hancock is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated he was authorized to execute the instrument and acknowledged it as the owner of said Property to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: 9/5/99

Barney H. Nelson
 Notary Public in and for the State of Washington
 My appointment expires: 8/29/02



STATE OF WASHINGTON
 COUNTY OF SKAGIT

I certify that I know or have satisfactory evidence that Karen Hancock is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated she was authorized to execute the instrument and acknowledged it as the owner of said Property to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: 9/5/99

Barney H. Nelson
 Notary Public in and for the State of Washington
 My appointment expires: 8/29/02

