

Renewable Resource Grant & Loan Program

Proposal Abstract

The City of Shelby examined the existing water system in an effort to identify/examine existing problem areas within the system and establish a recommended course of action and design basis for water improvements to meet the needs of the City, including the requirements of State and Federal regulations for a 20-year planning period and interim connection to the North Central Montana Regional Water Authority system.

Improvements are necessary to ensure safe domestic water supply that has the capacity and efficiency to provide water and fire flows to the City of Shelby and the new connection to the North Central Montana Regional Water Authority system. These additional water demands on the city's current system have placed the City of Shelby in critical need of improvements and upgrades to ensure the safety and efficiency of water services to the region.

The following priorities are outlined within the PER:

1. **Winterize wells No. 9-12 and metering:** *The city will now have to operate additional wells year round to serve local and regional water users. Wells 9 through 12 will require the installation of heated enclosures and water mains lowered for frost protection. The metering of wells in the well field will provide critical information on well protection and hydrology within the well field to meet the needs of the city and regional water system.*
2. **Upgrade the existing water treatment system and generator:** *With additional water flows to regional consumers, the treatment plant will require additional virus inactivation per the UVDGM as required by DEQ 13.2.5.3d. The two Trojan 4L24 UV reactors will be upgraded to six bulbs to meet agency requirements for expanded water demand. An emergency generator will also be installed at the treatment facility in which to sustain treatment of water flow during time of critical need, be it a natural disaster, weather event, or human threat to the system.*
3. **Shelby Heights Booster improvements and generator:** *The system is undersized to meet the needs of additional water demands of the regional water system. A new telemetry system and additional pumps will be installed in a larger station. An emergency generator will also be installed to insure safe storage of movement of water for domestic needs and fire flow.*
4. **Re-route the south tank water main:** *The existing 16" AC pipe which runs beneath the south tank has been exposed to the elements at existing vaults and is quickly deteriorating. A collapse of the line would cause the loss of*

- over 1 million gallons of storage capacity, severely depleting required fire flows throughout the community and region.*
- 5. **Clear Well booster station generator:** An emergency generator is also needed at the wellfield booster station. This is critical in the event of a catastrophic event ~ weather- natural disaster-human threat to the system to continue the movement of safe, clean water to regional water users.*
 - 6. **Rehabilitate the 16” Water Main:** The single 5-mile long 16” AC pipe was constructed in 1962 and has never been fully drained and inspected. At the same time it has been exposed to the elements at existing vaults causing deterioration. The isolation valves on the 16” main are not operational and this main is runs beneath the south water tank. (Part of priority 4.)*

The critical nature of the deficiencies have been documented in the examination of sources, pumping facilities, treatment facilities, storage and distribution. These long-term problems for regional water demands require updated systems, increased capacity, increased disinfection and emergency measures in place to provide life sustaining and fire protection water service. The improvements minimize health and safety treats, preserve water resources and efficiently sustain water service for the region.

**UNIFORM APPLICATION FORM
FOR MONTANA PUBLIC FACILITY PROJECTS**

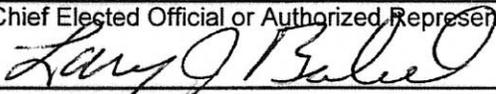
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SECTION A - CERTIFICATION

To the best of my knowledge and belief, the information provided in this application and in the attached documents is true and correct.

Name (printed): City of Shelby, Montana

Title (printed): Mayor of Shelby
Chief Elected Official or Authorized Representative

Signature: 

Date: 4-27-2016

SECTION B - SUMMARY INFORMATION

1. NAME OF APPLICANT(S): City of Shelby

2. TYPE OF ENTITY: Municipal Government

3. FEDERAL TAX ID NUMBER: 81-6001308

4. TYPE OF PROJECT: Water Project

5. SENATE AND HOUSE DISTRICTS: Senate District #09 and House District # 18

5.a NAMES OF SENATOR(S) AND REPRESENTATIVE(S): Senator Llew Jones; Representative Rob Cook

6. POPULATION SERVED BY PROJECT: 3,376

6.a NUMBER OF HOUSEHOLDS SERVED BY PROJECT: 1,345

7. DUNS Number (for CDBG applicants only): _____

8. CHIEF ELECTED OFFICIAL OR AUTHORIZED REPRESENTATIVE:

Larry J. Bonderud
(Name)
Mayor of Shelby, MT
(Title)
112 1st St. So.
(Street/PO Box)
Shelby, MT 59474
(City/State/Zip)
(406) 434-5222 (406) 434-2039
(Telephone) (FAX No)
larry@shelbymt.com
(E Mail address)

10. PROJECT ENGINEER/ARCHITECT:

Jason Crawford
(Name of Engineer)
KLJ
(Name of Firm)
2969 Airport Road
(Street/PO Box)
Helena, MT 59601
(City/State/Zip)
(406) 449-7764
(Telephone) (FAX No)
Jason.crawford@kljeng.com
(E Mail address)

12. LEGAL COUNSEL:

William H. Hunt
(Name)
City of Shelby Attorney
(Title)
165 Main Street
(Street/PO Box)
Shelby, MT 59474
(City/State/Zip)
(406) 434-3900 (406) 434-2039
(Telephone) (FAX No)
huntlaw@3rivers.net
(E Mail address)

14. CLERK/CHIEF FINANCIAL OFFICER:

Jade Goroski
(Name)
Chief Finance Officer
(Title)
112 1st St. So.
(Street/PO Box)
Shelby, MT 59474
(City/State/Zip)
(406) 434-5222 (406) 434-2039
(Telephone) (FAX No)
jade@shelbymt.com
(E Mail address)

9. PRIMARY ENTITY CONTACT PERSON:

Larry J. Bonderud
(Name)
Mayor of Shelby
(Title)
112 1st St. So.
(Street/PO Box)
Shelby, MT 59474
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(Telephone) (FAX No)
larry@shelbymt.com
(E Mail address)

11. GRANT/LOAN ADMINISTRATOR:

Larry J. Bonderud
(Name)
Mayor of Shelby
(Title)
112 1st St. So.
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(406) 434-5222 (406) 434-2039
(Telephone) (FAX No)
larry@shelbymt.com
(E Mail address)

13. BOND COUNSEL:

Dan Semmens ~ Dorsey & Whitney LLP
(Name)

(Title)
125 Bank Street Suite 600
(Street/PO Box)
Missoula, MT 59802
(City/State/Zip)
(406) 721-6025
(Telephone) (FAX No)

(E Mail address)

15. ACCOUNTANT:

Jerry Schmitz
(Name of Accountant)
Douglas Wilson & Company, P.C.
(Name of Firm)
1000 1st Ave. South
(Street/PO Box)
Great Falls, MT 59401
(City/State/Zip)
(406) 761-4645 (406) 761-4619
(Telephone) (FAX No)

(E Mail address)

16. BRIEF PROJECT SUMMARY: (Refer to instructions and examples)

Historical Information – Shelby’s water system dates back to the 1940’s. The city has made numerous improvements and updates to the system over the last 70 years. With the interim connection to the North Central Montana Water System and a 20-year outlook for future growth needs, the City of Shelby must prioritize needs of the system and address deficiencies.

Problem – The city has prioritized water infrastructure needs in an effort to meet current and future water demands of the City of Shelby and the North Central Montana Regional Water System.

Proposed Solution – A multi-phase approach to the priorities is necessary to address the deficiencies addressed in the PER.

SECTION C - FINANCIAL INFORMATION

1. ESTIMATED TOTAL PROJECT COST: \$1,757,833.00

2. PROPOSED FUNDING SOURCES (List loans and grants from same funding source separately) (Refer to the instructions and examples):

Source	Type of Funds	Amount	Status of Commitment	Loan Rates and Terms
TSEP	Grant	\$750,000	Application May, 2016	
RRGL	Grant	\$125,000	Application May, 2016	
SRF	Loan	\$881,333	Notified of potential project April, 2016	

3. FUNDING STRATEGY NARRATIVE

a. What are the conditions of the use of each source of funds?

- State Revolving Loan Fund - \$881,333
Notification made – April, 2016
Funding would provide match for TSEP and RRGL grant funds.
- Treasure State Endowment Program - \$750,000
Application – May, 2016
Funding would be matched by a City of Shelby SRF loan and RRGL.
- Renewable Resource Grant and Loan Program - \$125,000

Funding would assist in completion of projects outlined.

- City of Shelby - \$1,500
Funds available for audit fees.

b. When will each source of funds listed be available?

- The TSEP application will be submitted in May, 2016. TSEP funding will be made available for the 2019 Biennium.
- The RRGL application will be submitted in May, 2016. RRGL funding will be made available July 1, 2017.
- State Revolving Loan funds will be sought for the outlined priority projects to coordinate with TSEP and RRGL funding awards.
- City funds are available.

c. Is there any additional information on the level of commitment for each source of funds listed?

The city is proactive and realistic in its approach to funding sources for projects of this size and nature. Given the time frame in which funding and interest rates may be at its optimum level, the city is diligent in seeking funding to complete these critical components of city infrastructure.

d. How will funding sources be coordinated with each other?

The City of Shelby will rely on timing of the receipt of funding in application of the resources toward the project. Mayor Larry Bonderud and Chief Finance Officer Jade Goroski will oversee the disbursement of funds in accordance with program guidelines and all State and Federal statutes. The funding sources will be applied to the engineering plans and construction/rehabilitation according to program guidelines.

e. Will interim-loan funds be required as part of the project?

The City of Shelby does not anticipate the need for interim financing.

f. What other sources of funds from public and private sources have been considered for this project? Explain why they are not being pursued or used for this project.

The City of Shelby has considered several other sources of funding for this project. The City is already seeking CDBG-ED funds for a major water/gas infrastructure project for a new industrial business locating in Shelby. The city chose not to access Intercap Program financing because of the offered loan terms. The city also recently completed a \$5.6 million project with USDA RD for water and sewer improvements. The city also reviewed the Shelby Water Department Fund, but with current requirements for commitment to debt service, operational costs and unexpected costs related to the system, the fund was not available for this project.

g. If a particular source of funding is not obtained, how will the applicant proceed?

In the event of the possibility of no funding, the City of Shelby will need to seek funding through other grant/loan opportunities or delay this critical work.

h. What is the level of local financial participation in the project and is that level the maximum that the applicant can reasonably provide?

The City of Shelby Water Fund is committed as a requirement for debt service, operational expenses and unexpected costs and not available for immediate capital improvements.

4. PROJECT BUDGET FORM

BUDGET NARRATIVE

ADMINISTRATIVE/FINANCIAL COSTS

Personnel Services	\$0
The City will not charge personnel costs related to the project. Mayor Bonderud will serve as project manager with CFO, Jade Goroski and Community Development Director, Lorette Carter assisting Mayor Bonderud.	
Office Costs	\$500
Office costs will include publication costs, copies, mailing costs, signage, public relations and any other office cost directly related to the project. Funds for this item will be provided from TSEP funding.	
Professional Services	\$0
Legal Costs	\$500
This amount will be used for legal fees related to the review of contracts, bid specifications and any other legal services associated with the grant. Funds for this item will be provided from TSEP funding.	
Audit Fees	\$1,500
\$1,500 is budgeted to meet the portion of the organizational audit that can be attributed to the project, in accordance with the State Single-Audit Act. Funds for this budget item will come from the City of Shelby General Fund.	
Travel & Training	\$500
Costs to attend the TSEP project administration training workshop and meetings related to the project.	
Interim Interest	\$0
The City doesn't anticipate interim financing/interest.	
Loan Reserves	\$26,600
As required under the State Revolving Loan Fund, the City of Shelby will need \$26,600 in reserves.	
Bond Costs	\$11,000
\$11,000 has been estimated for bond counsel and issuance, which includes assistance from a financial advisor, bond counsel, bond printing, and registrar fees. Funds for this budget item will be derived from the State Revolving Loan Fund.	
TOTAL ADMINISTRATIVE/FINANCIAL COSTS	\$40,600

ACTIVITY COSTS

Land Acquisition	\$0
Preliminary Engineering	Completed
Engineering/Arch. Design	\$143,102

Based on the engineering cost estimates in the preliminary engineering report, the total cost of preparing the final design is estimated at \$143,267.00. The amount budgeted will be distributed between TSEP and RRGL.

Construction Engineering Services

\$143,102

Based on the engineering cost estimates in the preliminary engineering report, the total cost of construction inspection/engineering services is \$143,267.00.

Construction

\$1,300,935

Based on the engineering cost estimates in the preliminary engineering report, the total cost the water infrastructure priorities is \$1,302,430.00.

Contingency

\$130,935

Contingency funds are estimated as a percentage of the construction costs.

TOTAL ACTIVITY COSTS

\$1,717,833

TOTAL PROJECT COSTS

\$1,757,833

Legal Copy
The information
is confidential

Completed by: <u>Larry J. Bonderud</u>		For: <u>City of Shelby</u>			Date: 4-28-2016	
ADMINISTRATIVE and FINANCIAL COSTS:	SOURCE: TSEP	SOURCE: RRGL	SOURCE: SRF Loan	SOURCE: City	SOURCE:	TOTAL
Personnel Costs						\$500.00
Office Costs	\$500.00					\$0
Professional Services						\$500.00
Legal Costs	\$500.00					\$500.00
Audit Fees				\$1,500.00		\$1,500.00
Travel & Training	\$500.00					\$500.00
Loan Fees						\$26,600.00
Loan Reserves			\$26,600.00			\$26,600.00
Interim Interest						\$11,000.00
Bond Counsel and Related Costs			\$11,000.00			\$11,000.00
TOTAL ADMINISTRATIVE/FINANCIAL COSTS	\$1,500.00	\$0	\$37,600.00	\$1,500.00		\$40,600.00
ACTIVITY COSTS:						
Land Acquisition						
Preliminary Engineering						\$143,102.00
Engineering/Architectural Design	\$121,637.00	\$21,465.00				\$143,102.00
Construction Engineering Services	\$121,637.00	\$21,465.00				\$1,300,935.00
Construction	\$505,226.00	\$82,070.00	\$713,639.00			\$130,094.00
Contingency			\$130,094.00			\$1,717,233.00
TOTAL ACTIVITY COSTS	\$748,500.00	\$125,000.00	\$843,733.00			\$1,757,833.00
TOTAL PROJECT COSTS	\$750,000.00	\$125,000.00	\$881,333.00	\$1,500.00		\$1,757,833.00

5. CURRENT DEBT (Refer to the instructions and example on pages 23-24)

Year Issued	Purpose	Type of Bond/ Security	Amount	Maturity Date (mo/yr)	Debt Holder	Coverage Requirement	Avg. Annual Payment Amount	Outstanding Balance
1999	Water-Refinance	RB	866,000 419,000	July/ 2019	SRF	110%	63,950	233,140
2002	Water – Refinance	RB	877,000 406,000	July/ 2022	SRF	110%	47,663	322,900
2004	Water-Refinance	RB	700,000 500,000	July/ 2024	SRF	110%	49,587	439,568
2005	Water – Refinance	RB	709,000 618,000	July/ 2025	SRF	110%	55,170	528,289
2008	Water – Refinance	RB	500,000 450,000	July/ 2028	SRF	110%	23,296	446,111
2010	Water – Refinance	RB	333,700 303,000	July/ 2031	SRF	110%	15,642	261,278
2010	Water - Refinance	RB	1,247,000 1,184,000	July/ 2031	SRF	110%	78,611	1,360,982

6. CURRENT ASSETS (Indicate if assets are obligated.) (Refer to the instructions on pages 23-24.)

Cash (Details) <u>General checking</u>	<u>\$ 801,069</u>
Investments (Details) <u>Board of Investments; Money Market</u>	<u>\$1,067,633</u>
Certificates of Deposit (Details) <u>Quarterly renewal</u>	<u>\$186,728</u>
Accounts Receivable	<u>\$513,793</u>
Any other current assets not specifically indicated above (Details) <u>Landfill closure fund account; post closure</u>	<u>\$352,000</u>

7. BALANCE SHEET (Submit if applying to RD; contact the other programs to determine if or when this information is needed.)

- ✓ Balance Sheet (Check if attached)

8. INCOME AND EXPENSE STATEMENT (Submit if applying to RD; contact the other programs to determine if or when this information is needed.)

- ✓ Income and Expense Statement (Check if attached)

SECTION D - CENSUS INFORMATION

Do not fill in this section. The following information will be completed by the receiving agency using data supplied by the U.S. Bureau of the Census and the U.S. Department of Housing and Urban Development based on Census data.

- 1. MEDIAN HOUSEHOLD INCOME \$ _____
- 2. LOW TO MODERATE INCOME PERSONS: The percent of the population at or below the level designated as low to moderate income. % _____
- 3. POVERTY: The percent of the population characterized as at or below the level designated as poverty. % _____

SECTION E - SYSTEM INFORMATION (Refer to instructions)

Number of unimproved properties in jurisdiction: 600

☛ **Complete and attach the "System Information Worksheet."** The figures required for the items listed below that are denoted with an "☛" are computed using the "System Information Worksheet." The letter in parenthesis following the "☛" denotes the location in the worksheet to find the figure to be inserted.

	<u>Current</u>	<u>Projected</u>
1. Total System Annual Revenue	\$949,008 _____	\$ 987,552 _____
2. Total System Annual Operation and Maintenance Costs	\$998,033 _____	\$883,251 _____
3. Total System Equivalent Dwelling Units* ☛□(e) for current and (k) for projected	1843 _____	1843 _____
4. Total Residential Equivalent Dwelling Units* ☛□(f) for current and (m) for projected	1169 _____	1169 _____
5. Annual Revenue from Residential Hookups	\$665,915 _____	\$670,000 _____
6. Percent of Total Annual Revenue from Residential Hookups	70.17% _____	
7. Average Monthly Residential Rate	\$47.55 _____ <input type="checkbox"/> Check box if this is a flat rate.	\$ 81.03 _____ Projected Average Monthly Residential Rate ☛ (w) or (x)
8. <u>Other System</u> Average Monthly Residential Rate	\$26.76 _____	\$ 26.76 _____

* If this application is for a solid waste project, see instructions.

PART B. PROJECTED WATER HOOKUP SUMMARY

Diameter (inches)	Projected Total Hookups*			Diameter (inches)	Projected Residential Hookups		
	(g) Total Number of Hookups	(h) EDU's per Hookup (from table)	Total EDU's [(g) x (h)]		(i) Number of Residential Hookups	(j) EDU's Per Hookup (from table)	Total Residential EDU's [(i) x (j)]
.625	1060	1.0	1060.00	.625	919	1.0	919.00
1.0	137	1.79	245.23	1.0	102	1.79	182.58
1.50	15	4.0	60.00	1.50	8	4.0	32.00
2.0	21	7.14	149.94	2.0	5	7.14	35.70
3.0	4	16.0	64.00	3.0	0	16.0	0.00
4.0	7	28.57	199.99	4.0	0	28.57	0.00
6.0	1	64.29	64.29	6.0	0	64.29	0.00
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Totals	1245		1843 (k)		1034 (l)		1169 (m)

* Includes both residential and non-residential hookups

Projected average EDU's per residential hookup: $\frac{1.13(n)}{[(m)/(l)]}$

Provide the following information if applying to the USDA RUS/RD program

Total water system flows (sales) last twelve months gallons for all connections listed in (a) above]

Total residential water flows (sales) last twelve months gallons for all connections listed in (c) above]

SUBSECTION 2 – PROJECTED AVERAGE MONTHLY RESIDENTIAL RATE COMPUTATION

Will debt be used to finance the project? Yes No If no, skip to PART E.

If yes, how will debt for the project be secured:

- A. Revenue Bond (complete Part A)
- B. General Obligation (complete Part B)
- C. Rural or Special Improvement District Bond (complete Part C)
- D. Other (explain) _____ (complete Part D)

Debt (Loan) Amount: \$ _ Interest Rate: 3.25% Terms: 40 years

COMPLETE THE APPLICABLE SECTIONS BELOW

PART A. REVENUE BOND SECURING DEBT OBLIGATION:

1. Debt election held? Yes NO If no, when will election be held (date) _____
2. Annual debt service for new loan, including coverage: \$53,414 (i)
3. Monthly debt service for new loan, including coverage: (line i / 12) \$4,427(ii)
4. Total number of projected EDU's after completion of project: 1843 (iii)

5. Average (per total projected EDU's) monthly debt service for new loan: (line ii / line iii) \$ 2.40 (iv)

PART B. GENERAL OBLIGATION BOND SECURING DEBT OBLIGATION:

1. Debt election held? Yes ____ No ____ If no, when will election be held? (date): _____
2. Amount of outstanding General Obligation Bonds \$ _____
3. Debt limitations of entity _____
4. Estimated average (per property) monthly assessment needed to repay debt (divide the annual assessment by 12 to obtain a monthly figure): \$ _____

PART C. RURAL OR SPECIAL IMPROVEMENT DISTRICT BOND SECURING DEBT OBLIGATION:

1. Type of special assessment:
 - a. SID _____
 - b. RID _____
 - c. Other (specify) _____
2. Proposed method of assessment:
 - a. Assessable Area _____
 - b. Area _____
 - c. Ad Valorem Tax _____
 - d. Lineal Front Footage _____
 - e. Combination of a. through d. above (explain) _____
3. Number of parcels in the district _____
4. What percentage of the property (based on the methods of assessment) within the district fits these descriptions?

TYPE OF PROPERTY	PERCENT DEVELOPED	PERCENT UNDEVELOPED
Commercial		
Industrial		
Single-Family Residential		
Multi-Family Residential		
Agricultural		

5. Number of property owners in district _____
6. Estimated average (per property) monthly assessment needed to repay debt (divide the annual assessment by 12 to obtain a monthly figure): \$ _____

PART D. OTHER TYPE OF DEBT INSTRUMENT SECURING DEBT OBLIGATION THAT IS NOT INDICATED ABOVE

1. Explain how debt will be secured: _____

2. Estimated average (per property) monthly cost to repay debt: \$ _____

PART E. CALCULATION OF THE PROJECTED AVERAGE MONTHLY RESIDENTIAL USER RATE:

1. Estimated increase in average monthly debt service (per projected EDU, monthly assessment per property for General Obligation Bond or SID, or per customer for solid waste projects) as the result of this project. Enter \$0 if no increase is projected: \$ 4.02 (o)
[From Part A, B, C, or D]
2. Estimated increase or decrease in total monthly operation and maintenance (O&M) costs (including depreciation and replacement reserves) as the result of this project: \$ 0.00 (p)
3. List and explain estimated increases or decreases in O&M costs, including depreciation and replacement reserves (Provide a reasonably detailed explanation regarding the reason for the increase or decrease): The estimated increase in operations and maintenance costs for the waste water project is for additional labor and energy in the maintenance of the new cell and disinfection system.
The proposed improvements are not expected to have an impact on the overall O&M of the system.
4. Estimated increase or decrease in monthly O&M costs (including depreciation and replacement reserves) (per projected EDU, monthly assessment per property for General Obligation Bond or SID, or per customer for solid waste projects) as the result of this project: \$ 0.00 (q)
[(p) / (k)]
5. Estimated increase or decrease in total monthly costs (per projected EDU, monthly assessment per property for General Obligation Bond or SID, or per customer for solid waste projects) as the result of this project: \$ 4.02 (r)
[(o) + (q)]
6. Projected average EDU's per residential hookup: \$ 1.13 (s)
[(n)]
7. Estimated increase or decrease in total monthly costs per average residential hookup/customer as the result of this project: \$ 4.55 (t)
[(r) x (s)]
8. Existing average monthly residential debt service, including coverage and bond reserve (subtract any existing debt service if the loan will expire before the completion of the project): \$ 35.84 (u)
9. Existing average monthly residential O&M costs and replacement and depreciation reserves: \$ 40.64 (v)

Note: (u) plus (v) should equal the current average monthly residential rate as stated in Section E, Line 7. If these amounts do not equal, provide an explanation of why the numbers differ.

10. Projected average monthly residential user rate after completion of this project:

\$ 81.03 (w)
[(t) + (u) + (v)]

11. Projected flat user rate:

\$ 81.03 (x)

WATER PURCHASE AGREEMENT
Between
City of Shelby
and
North Central Montana Regional Water Authority

This Agreement for the sale and purchase of water is entered into as of the 7 day of June, 2011 (hereafter "Effective Date") between the City of Shelby, Montana, hereafter referred to as "SHELBY" and the North Central Montana Regional Water Authority, hereafter referred to as "AUTHORITY."

WITNESSETH:

WHEREAS, AUTHORITY will require a supply of potable water meeting applicable drinking water standards of the State of Montana.

WHEREAS, SHELBY owns and operates a water supply treatment and distribution system with a capacity currently capable of serving the present and future residents of SHELBY'S system and the capacity required by AUTHORITY to provide potable drinking water to the City of Cut Bank (1,000,000 gallons per day), the Town of Kevin (151,000 gallons per day), the Oilmont County Water District (175,000 gallons per day), the Town of Sunburst (467,000 gallons per day), the Sweet Grass County Water District (40,000 gallons per day), and the Galata County Water District (14,400 gallons per day);

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth.

A. SHELBY Agrees:

1. To treat and deliver to AUTHORITY, at the point of delivery hereinafter specified, during the term of this Agreement or any renewal or extension thereof, potable treated water meeting applicable purity standards of the State of Montana in such quantity as may be required by AUTHORITY, not to exceed 1,847,000 gallons of potable drinking water per day.
2. That water will be furnished at a reasonably constant pressure, calculated at a pressure to be mutually agreed upon by the parties to this Agreement, at the point of delivery – which located at or adjacent to the SHELBY'S Water Treatment Facility. If AUTHORITY requires a greater pressure than normally available at the point of delivery, the cost of providing such greater pressure shall be borne by AUTHORITY. Emergency failures of pressure or supply due to main line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe or any other event beyond the reasonable control of SHELBY shall excuse SHELBY from this provision for such reasonable period of time as may be necessary to restore service.

3. To read the meter at the point of delivery and furnish AUTHORITY, at the address provided below, at the end of each month, an itemized statement of the amount of water furnished during the preceding month.

B. AUTHORITY Agrees:

1. To operate and maintain, at its own expense, at point of delivery, the necessary metering equipment and remote reading unit. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by testing to be inaccurate shall be corrected for the six (6) months previous to such testing in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless SHELBY and AUTHORITY shall agree, in writing, upon a different amount. The metering equipment shall be read on or before the 15th day of each month.
2. To pay SHELBY, thirty (30) days after receipt of invoice from SHELBY, for water delivered in accordance with the following scheduled rates:
 - a. 0 up to 79,240 gallons per month shall be at the rate of \$153.10 per month, which amount shall be the minimum rate per month;
 - b. Usage of 79,241 up to 1,728,000 gallons per month shall be at the rate of \$0.91 per 1,000 gallons metered; and
 - c. Usage in excess of 1,728,000 gallons per month shall be at the rate of \$1.23 per 1000 gallons for the excess only.
3. To furnish and install all equipment, materials, buildings, parts, booster pumps, backflow prevention valves, and to pay all applicable meter and meter tapping fees and any and all costs associated with tapping SHELBY'S system. AUTHORITY shall install backflow devices as approved by SHELBY, at the delivery point, to prevent water of any inferior quality from entering SHELBY'S system. The design of any water line, tap, metering, building, testing, booster equipment and/or backflow prevention is subject to SHELBY'S prior review and written approval. All such improvements must be designed by a Montana certified engineer and must be approved by the Montana Department of Environmental Quality, prior to construction. All costs related to any required water quality testing related specifically to AUTHORITY'S water system by any state or federal agency, will be paid by AUTHORITY.

C. It is further mutually agreed between SHELBY and AUTHORITY as follows:

TERM OF AGREEMENT

1. That this Agreement, unless otherwise terminated pursuant to Section C.17 of this Agreement, shall extend for a term of 30 (thirty) years from the date of the initial

delivery of any water as shown by the first bill submitted by SHELBY to AUTHORITY and, thereafter, may be renewed or extended for such term, or terms, as may be agreed upon by SHELBY and AUTHORITY.

NO CLAIM OR RIGHT TO WATER OF OTHER PARTY

2. SHELBY will supply AUTHORITY with water from its water system, and that by such action, neither AUTHORITY, City of Cut Bank, the Town of Kevin, the Oilmont County Water District, the Town of Sunburst, the Sweet Grass County Water District, and the Galata County Water District shall, unless separately agreed to, in writing, with SHELBY, have any claim or right to such water upon the termination or expiration of this Agreement.

DELIVERY OF WATER

3. That ten (10) days prior to the estimated date of completion of construction of AUTHORITY'S water supply distribution system to the recipients of the potable water identified in this agreement, AUTHORITY will notify SHELBY, in writing, setting forth the date for the initial delivery of water by SHELBY to AUTHORITY. Upon receiving such written notification from AUTHORITY, SHELBY will have a reasonable amount of time to complete the connections of its system to AUTHORITY'S system. No payment pursuant to Section B.2, above, will be due until AUTHORITY'S system and the point of delivery from SHELBY are operational. It is also agreed that AUTHORITY may, upon request, provide water purchased pursuant to this Agreement to other Members or water purchasers of AUTHORITY located outside SHELBY'S territory, so long as the amount of water purchased remains under the capacity limitations set forth in this Agreement.

MODIFICATION OF AGREEMENT

4. That the provisions of this Agreement pertaining to the schedule of rates to be paid by AUTHORITY for water delivered are subject to modification in conjunction with changes to SHELBY'S water rates. Provided however, water rates charged AUTHORITY by SHELBY shall not be discriminatory to AUTHORITY, and shall not exceed the same percentage of increase or decrease charged to other water users served by SHELBY. Any rate increases sought by SHELBY shall be subject to the adoption of an ordinance or resolution adopted pursuant to applicable Montana law in which AUTHORITY is provided notice of such action and the opportunity to make comment thereon as provided by Montana law.

REGULATORY AGENCIES

5. That this Agreement is subject to such rules, regulations, or laws as may be applicable to similar agreements in this state and SHELBY and AUTHORITY

will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

SUCCESSOR TO AUTHORITY

6. That in the event of any occurrence rendering AUTHORITY incapable of performing under this Agreement, any successor of AUTHORITY, whether the result of legal process, assignment, or otherwise, shall succeed to the rights, duties and obligations of AUTHORITY hereunder.

FAILURE TO DELIVER OR REDUCTION OF SERVICE

7. **If SHELBY experiences shortages of water or diminished supply impacting all of its water users or water customers, including AUTHORITY, the supply of water to AUTHORITY provided for under this Agreement shall be reduced or diminished in the same ratio or proportion as the supply to SHELBY'S other water users and water customers in existence at date hereof. SHELBY in implementing a reduction or diminishment in water supply to all of its water users or customers shall be nondiscriminatory to AUTHORITY. SHELBY shall provide AUTHORITY with notice of such water supply reduction, as soon as possible.**

EASEMENTS

8. To the extent authorized by law or other agreement, and subject to the terms of and conditions of any easement granted to SHELBY, SHELBY agrees where allowable to grant unto AUTHORITY permanent and perpetual easement(s), at locations mutually agreeable to SHELBY and AUTHORITY, twenty (20) feet in width beneath, on, and above SHELBY'S lands or SHELBY water line easements for the purpose of accessing, constructing, operating, and maintaining AUTHORITY water lines, pumps, and all necessary equipment needed to deliver AUTHORITY water to its customers including, where allowable, use of existing SHELBY water line easements located on lands not owned by SHELBY. AUTHORITY understands that depending on the terms and conditions of any easement granted to SHELBY, AUTHORITY may need to obtain easements in its own name from third party landowners.

EXCESS USAGE

9. AUTHORITY may purchase and accept delivery of water in an amount and at flow rates in excess of the amount and flow rate specified in this Agreement, provided that any such purchase and delivery does not adversely affect the operation or condition of SHELBY'S water system or the ability of SHELBY to deliver water to existing SHELBY water users. Purchase and use of water by AUTHORITY in an amount and at a flow rate in excess of the amount provided for in this Agreement shall not create or be construed as a right of AUTHORITY

to continue to receive water in such amount and at such flow rate, unless AUTHORITY requests an increase in the amount provided for in this Agreement, and such increase is approved by SHELBY'S city council.

10. Except as provided for in Section C.9, above, in the event AUTHORITY uses more than the number of gallons of water per day, agreed to in Section A.1, and such excess water use is detrimental to SHELBY'S water distribution system and/or other existing SHELBY water users or customers, SHELBY, at its sole option, may notify AUTHORITY in writing, by certified mail, that SHELBY intends to limit AUTHORITY'S purchase of water to the herein limited gallons per day. SHELBY then may, at its discretion, limit AUTHORITY'S purchase of water to the maximum amounts allowed under this Agreement. AUTHORITY waives its right to collect damages against SHELBY for terminating AUTHORITY'S use of excess water as set forth in this Section C.10.

NO RIGHTS CONFERRED

11. It is understood and agreed to that this Agreement and agreements made pursuant hereto shall confer no permanent water rights upon AUTHORITY, nor shall any future needs for water by AUTHORITY enable AUTHORITY to make claim against SHELBY for any of SHELBY'S water, or water rights beyond this Agreement or agreements made pursuant hereto.

AMENDMENT

12. Except as provided for in Section C.4 of this Agreement related to rates, this Agreement may be modified or altered, only by mutual agreement, expressed in writing signed by authorized agents of the parties.

WARRANTIES AND REPRESENTATIONS

13. AUTHORITY hereby warrants and represents to SHELBY that (i) it has the power and authority to execute and deliver and perform its covenants, obligations and agreements contained in this Agreement; (ii) its governing body has taken all action necessary to authorize the execution, delivery and performance of this Agreement; (iii) the execution, delivery and performance of this Agreement will not constitute a violation of or default under any of its governing documents or any agreement, order, decree, law, rule or regulation to which it is a party or by which it is bound, or result in the creation of any lien or security interest on or in any assets or property except for any such lien or security interest created pursuant hereto; and (iv) this Agreement is a legal and binding obligation of AUTHORITY enforceable against it in accordance with its terms.
14. SHELBY hereby warrants and represents to AUTHORITY that (i) it has the power and authority to execute and deliver and perform its covenants, obligations and agreements contained in this Agreement; (ii) its governing body has taken all

action necessary to authorize the execution, delivery and performance of this Agreement; (iii) the execution, delivery and performance of this Agreement will not constitute a violation of or default under any of its governing documents or any agreement, order, decree, law, rule or regulation to which it is a party or by which it is bound, or result in the creation of any lien or security interest on or in any assets or property except for any such lien or security interest created pursuant hereto; and (iv) this Agreement is a legal and binding obligation of SHELBY enforceable against it in accordance with its terms.

FORCE MAJEURE

15. If any party is prevented in whole or in part from performing its obligations under this Agreement, by unforeseeable causes beyond its reasonable control and without its fault or negligence (hereinafter "force majeure"), then the party so affected or prevented, shall be excused from whatever performance is affected by such force majeure condition, but only to the extent the performance is actually affected and provided that the affected party provides written notice to the other parties of the force majeure condition(s) within five (5) calendar days from the onset of such force majeure condition. Failure of the affected party to provide timely notice shall constitute a waiver of the force majeure condition and claim by the affected party to excuse its performance hereunder.

ASSIGNMENT

16. No assignment of the rights, duties or obligation under this Agreement may be made by either party, without the express written approval of the other party. Any attempt at assignment in violation of this Section shall be void.

TERMINATION

17. Either party may, prior to the expiration of the term provided for in Section C.1, above, and subject to the conditions below, terminate this Agreement in the event of a material breach of this Agreement by the other party. Prior to any termination for a material breach, the non-breaching party shall give written notice of such breach to the breaching party and the opportunity to cure such breach (the "Breach Notice"). In the event such breach is not cured within sixty (60) days after service of the Breach Notice, the non-breaching party may elect to immediately terminate this Agreement by giving written notice of termination to the breaching party not later than ninety (90) days after service of the Breach Notice. Notwithstanding the foregoing, in the event a breach is not reasonably capable of being cured within the 60-day period described above, then so long as the breaching party shall commence a cure within such 60-day period and shall diligently pursue such cure to completion then the non-breaching party shall not have the right to terminate this Agreement.

The AUTHORITY may terminate this Agreement prior to the expiration of the term provided for in Section C.1, above, if the North Central Montana Regional Water Project is constructed either in whole or in part in a manner that replaces the need for the water conveyed under this Agreement.

NO WAIVER

18. Waiver of breach of any term or provision of this Agreement shall not be deemed a waiver of any other breach of the same or different provision. In addition, waiver of any provision, obligation, or duty as provided in this Agreement shall not constitute a waiver of a future breach.

NOTICES

19. All notices required to be given pursuant to the terms and provisions of this Agreement shall be in writing, and shall be sent by certified or registered mail, postage prepaid, return receipt requested upon the parties at the below listed address, or as otherwise specified, in writing, from time to time, by the parties:

If to AUTHORITY:

North Central Montana Regional Water Authority
PO Box 2456
Havre, MT 59501

With a copy to:

Steve Wade
Browning, Kaleczyc, Berry & Hoven, P.C.
P.O. Box 1697
Helena, MT 59601
406-443-6820

If to SHELBY:

With a Copy to:

SEVERABILITY

20. In the event any term or provision of this Agreement is rendered invalid or unenforceable by any law, rule or regulation, or declared null and void by any court of competent jurisdiction, the remainder of the provisions of this Agreement shall remain in full force and effect.

HEADING

21. The headings of Sections contained in this Agreement are for reference purposes only and should not effect in any way the meaning or interpretation of this Agreement.

DISPUTE RESOLUTION

22. The parties shall endeavor in good faith to obtain full and cooperative resolution of any dispute or disagreement in respect to the performance by either of them of their respective duties and obligations hereunder, or in regard to interpretation and/or administration of any other term or provision in this Agreement, or of any matter not provided for or covered in this Agreement which is nonetheless essential to the achievement of the ends and objectives of this Agreement. Any matters not resolved by mutual agreement shall be resolved by arbitration as hereafter provided, unless the parties mutually agree otherwise.

Arbitration. Any claim, dispute or other matter in controversy arising out of or related to this Agreement, or the performance or breach thereof, will be decided by arbitration in accordance with the rules of the American Arbitration Association. Notwithstanding the foregoing, a party may submit any claim for injunctive relief, including, without limitation, a decree of specific performance, to a court of law to be resolved by legal or equitable proceedings subject to the provisions of Sections C.17 and C.23 of this Agreement.

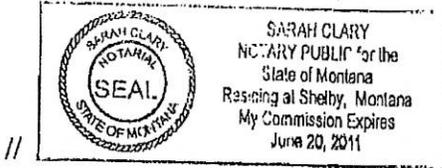
Arbitration Procedure. For any matter subject to this arbitration provision in which the amount in controversy is \$100,000.00 or more, three (3) arbitrators will be appointed, at least one of whom shall be an attorney. For any matter subject to this arbitration provision in which the amount in controversy is less than \$100,000.00, there shall be one (1) arbitrator selected in accordance with the American Arbitration Association rules. The arbitrator(s) will complete hearings and render a decision on the earlier of the date required by the rules governing the arbitration or no more than 180 days after their appointment. The arbitration will be conducted either in Toole County, Montana, or at a location mutually agreeable to the parties. In addition to such discovery that may be ordered in the discretion of the arbitrator(s), at least 30 days prior to the hearing, the parties will exchange documents relevant to the claims and defenses of the parties, a detailed itemization of damages, identification of witnesses, and any reports of experts who are expected to testify or, if there are no reports, summaries in reasonable detail of their expected testimony.

Arbitration Decision. The arbitrator(s) are to decide only the issue(s) presented to them and shall not vary the terms of this Agreement. The arbitrator(s) shall have the authority to order specific performance by either or both parties of their duties and obligations in this Agreement. The arbitrator(s) shall be authorized to award to the prevailing party its reasonable legal fees and costs incurred to prosecute or defend the claims that are the subject of the arbitration. The decision and award of the arbitrator(s) will be final and binding, unless modified, set aside, or

In witness whereof, I have hereunto set my hand and affixed my notarial seal on the day and year first above written.

Sarah Clary
Notary Public for the State of Montana
Printed Name: Sarah Clary
Residing at: Shelby, MT
My Commission Expires: June 20, 2011

(Notarial Seal)



NORTH CENTRAL MONTANA
REGIONAL WATER AUTHORITY

By [Signature]
Its Vice-President

ATTEST:

Heidi Burkus

**AGREEMENT FOR THE
OPERATION and MAINTENANCE OF THE SHELBY to CUT BANK COMPONENTS
(Segment W3) OF THE
NORTH CENTRAL MONTANA REGIONAL WATER SYSTEM
between
THE CITY of SHELBY
and
THE NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY**

THIS AGREEMENT FOR THE OPERATION AND MAINTENANCE FOR THE SHELBY SEGMENT OF THE SHELBY/CUT BANK COMPONENTS OF THE NORTH CENTRAL MONTANA REGIONAL WATER SYSTEM, is made this 26th day of April, 2016, by and between the City of Shelby and the North Central Montana Regional Water Authority, a not-for-profit entity existing under and by virtue of the laws of the State of Montana with its principal place of business in Havre, Montana.

RECITALS

- A. The Rocky Boy's / North Central Montana Regional Water System Act of 2002 (Public Law 107-331) (the "Act") recognizes the need to ensure a safe and adequate rural, municipal and industrial water supply for the residents of the Rocky Boy's Reservation in the State of Montana and to assist the citizens residing in Chouteau, Glacier, Hill, Liberty, Pondera, Teton, and Toole Counties, Montana, but outside the Reservation, in developing safe and adequate rural, municipal and industrial water supplies.
- B. The Parties to this Agreement enter into this Agreement to address matters related to the operation and maintenance of the Shelby/Cut Bank Component of the Non-Core System.
- NOW, THEREFORE, in consideration of the premises and mutual desires of the Parties, it is agreed as follows:
1. Definitions. When used in this Agreement, the following terms shall have the following meanings:
- 1.1 **Act** shall mean the Rocky Boy's/North Central Montana Regional Water System Act of 2002, Public Law 107-331.
- 1.2 **Agreement** shall mean and include the introductory paragraph, the Recitals and all Articles of this Agreement, and all attachments to or incorporated by reference into this Agreement
- 1.3 **Authority** shall mean the North Central Montana Regional Water Authority.
- 1.4 **Shelby Segment of the Shelby/Cut Bank Component also referred to as Segment W3** shall mean that portion of the North Central Montana Regional Water System owned by the Authority and depicted as Shelby's responsibility in **Exhibit "A"** (attached) which provides drinking water to the City of Cut Bank and includes (a) storage, pumping, and pipeline facilities; (b) appurtenant buildings, equipment, and access roads; and (c) other related facilities and services.

- 1.5 **Non-Core System** shall be as defined in section 905(c) of the Act
 - 1.6 **Shelby** shall mean the **City of Shelby**.
 - 1.7 **O&M** shall mean the operation and maintenance of the Shelby Segment of the Shelby/Cut Bank Component of the Non-Core System.
2. **Term.** This Agreement shall be effective on the date of execution and shall remain in effect until termination upon the mutual agreement of the Parties.
3. **Shelby's Obligations.** Shelby shall be responsible for the O&M of the Shelby Segment of the Shelby/Cut Bank Component from the meter vault at the connection to the City of Shelby's water system to Ethridge Pump Station. To keep O&M costs for the Shelby Segment of the Shelby/Cut Bank Component within reasonable limits, Shelby shall comply with the following obligations:
- 3.1 deliver water from the Shelby Segment of the Shelby/Cut Bank Component to the Ethridge Pump Station;
 - 3.2 operate the Shelby Segment of the Shelby/Cut Bank Component at all times in compliance with applicable Local, State, and Federal statutes, laws and regulations, and in the event of a conflict or inconsistency within or between such statutes and regulations, the more stringent requirements shall govern and be applied;
 - 3.3 utilize an appropriately licensed or certified operator;
 - 3.4 develop and submit to the Authority an operations and maintenance regimen and perform routine and scheduled operation and maintenance functions in accordance with any O&M manuals developed for the Shelby Segment of the Shelby/Cut Bank Component and any manufacturers' recommendations, purchase and handle required chemicals, provide notification pursuant to Section 10 to the Authority of unscheduled or emergency operation and maintenance functions or activities, coordinate repairs or maintenance on an as needed basis, and submit receipts for payment by the Authority;
 - 3.5 receive and implement monthly and annual water service schedules;
 - 3.6 prepare and implement monthly and annual O&M budgets for the Shelby Segment of the Shelby/Cut Bank Component;
 - 3.7 conduct meter reading at the meter vault at the point of connection to the City of Shelby and track water usage monthly and generate and distribute such reports and related billing information to the Authority;
 - 3.8 keep and maintain O&M logs, books, and records of the Shelby Segment of the Shelby/Cut Bank Component and submit information to the Authority on a quarterly basis;
 - 3.9 implement O&M provisions contained in the water conservation plan set forth in the Final Engineering Report (FER) for the North Central Montana Regional

Water System;

- 3.10 provide for independent annual financial and operating audits of Shelby's books, records, financial condition, inventory, operations, and compliance with cost containment measures,
- 3.11 establish and maintain accounts, books and records pertaining to the administration of the terms and conditions of this Agreement and the O&M of the Shelby Segment of the Shelby/Cut Bank Component, which books and records shall be maintained at Shelby's offices;
- 3.12 allow for the inspection, during normal business hours and upon reasonable prior notice, by the Authority of all books and records related to the Shelby Segment of the Shelby/Cut Bank Component;
- 3.13 with Authority's written consent and authorization install connections to the Authority's property. Prior to and during the installation of any connection, Shelby shall comply with the Authority's "Tapping Requirements" set forth attached as **Exhibit B**.
- 3.14 Shelby shall maintain for its employees and require all its subcontractors or agents to have in place workers compensation insurance.
- 3.15 Shelby shall procure and maintain during the term of this agreement general liability insurance or coverage including automobile coverage to cover its activities under this Agreement. The limits of such coverage shall be at a minimum \$750,000 per claim and \$1.5 million per occurrence. Such coverage will provide coverage for products-completed operations, sudden and accidental pollution and liability assumed under contract. The accidental pollution requirement can be satisfied by a specific Pollution Legal Liability providing the same per occurrence and aggregate limits. Shelby shall have the Authority named as an additional insured or covered party on such policy.
- 3.16 One Call. Shelby will act as Authority's agent for purposes of locating and marking the location of pipelines and other underground facilities of the Shelby/Cut Bank Component from the meter vault at the connection to the City of Shelby's water system to Ethridge Pump Station pump station. The monthly payment set forth in Section 7 of this Agreement includes one utility locate per month, for a total of twelve utility locates on an annual basis. Shelby shall charge for additional locates on a time and material basis as provided for in Section 7.

4. Authority's Obligations:

- 4.2 Authority is the owner of the pipes, pumps, and related equipment that comprises the Shelby/Cut Bank Component, to which it grants pursuant to this Agreement the right to Shelby to operate and maintain.
- 4.3 Except as provided for in Sections 3.13 and 4.4, Authority grants, pursuant to

this Agreement, to Shelby as its agent the right to enter onto any easement or other property interest held by the Authority within the Shelby Segment of the Shelby/Cut Bank Component for purposes of carrying out the purpose of this Agreement.

- 4.4 Authority is solely responsible for authorizing any and all connections to the Authority's pipes, equipment, and facilities.
- 4.5 Authority will have the responsibility to perform and fund those maintenance activities considered to be extra-ordinary maintenance or those maintenance activities that are outside the course of normal maintenance activities.
- 4.6 Authority may respond to situations that it considers an emergency. In such situations the Authority will notify Shelby of the emergency and the Authority's response. If necessary, the Authority may suspend Shelby's obligations under this Agreement during the emergency.
- 4.7 Authority shall procure and maintain a property insurance policy to cover pipes, pumps, and other equipment and property owned by it that is the subject of this Agreement.

5. Delivery of Water Service.

- 5.1 Delivery to Ethridge Pump Station. Shelby shall as the Authority's agent deliver water to the Ethridge Pump Station through point(s) of interconnection for delivery to the City of Cut Bank. .
- 5.2 Water Service Capacity at Points of Interconnection. Shelby as operator of the Shelby Segment of the Shelby/Cut Bank Component under this Agreement, with the Authority's approval, shall ensure that the water service capacity (design capacity, gpm) for each of the points of interconnection of the Shelby/Cut Bank Component complies with the water purchase agreements between the water recipients and the Authority.

6. Water Quality Testing. Regular testing for water quality shall be performed by Shelby as prescribed by the State of Montana per 17.38.210 of the Administrative Rules of Montana. Shelby shall complete all required testing from meter vault at the connection to the City of Shelby's water system Ethridge Pump Station. Copies of all testing results and reports shall be provided to the Authority monthly. Water quality shall meet the most stringent applicable regulatory standards and nothing herein shall relieve Shelby of complying with any testing or sampling required by a State or Federal entity.

7. Payment for Services and Materials. The City of Shelby shall invoice the Authority an amount of \$300 per month for its obligations pertaining to the services provided pursuant to this Agreement for the Shelby/Cut Bank Component, including mileage and materials. Shelby shall not bill or charge for any O&M work done on its own pipes, equipment and facilities to the Authority. Except in the cases of an emergency, O&M costs that will

exceed \$300 per month will require the prior written approval of the Authority. O&M costs that, in aggregate, exceed a total of \$3,600 year require prior written approval of the Authority. Failure to obtain such approval may result in those costs not be paid by the Authority. For those approved costs in excess of the monthly or annual aggregate amount Shelby shall invoice the Authority on a time and materials basis in accordance with an agreed upon hourly rate schedule and proof of expenses via submittal of receipts for services that exceed the scope of its monthly obligations.

8. Force Majeure. If any party is prevented in whole or in part from performing its obligations under this Agreement by unforeseeable causes beyond its reasonable control and without its fault or negligence ("Affected Party"), then the Affected Party shall be excused from whatever performance is affected by such force majeure condition, but only to the extent the performance is actually affected and provided that the Affected Party provides written notice to the other parties of the force majeure condition(s) within five (5) calendar days from the onset of such force majeure condition. Failure of the Affected Party to provide timely notice shall constitute a waiver of the force majeure condition and claim by the Affected Party.

9. Notices. Any notice, demand, or request authorized or required by this agreement shall be deemed to have been given, when mailed, postage prepaid, faxed or delivered to:

9.1 The Authority: North Central Montana Regional Water Authority
PO Box 2456
Havre, Montana 59501

with copies to: Steven T. Wade
Browning, Kaleczyc, Berry & Hoven, P.C.
P.O. Box 1697
Helena, Montana 59602

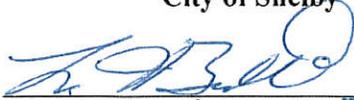
9.2 Shelby: Mayor
City of Shelby
112 1st Street South
Shelby, MT 59474

The designation of the addressee or the address may be changed by giving notice in the same manner as provided in this article for notices.

10. Dispute Resolution. The following dispute resolution process shall apply to all provisions of this Agreement. The Parties commit themselves to working in a harmonious manner to successfully achieve the objectives set forth in this agreement. When disagreements arise between the parties, they will be resolved according to the following procedures:

- 10.1 There shall first be an attempt to resolve disagreements among the parties through informal discussions among representatives of the parties.
- 10.2 If the disagreement cannot be resolved through informal discussion among these parties, the parties shall agree upon a mediator and submit the dispute to mediation. If the parties cannot agree upon a mediator, each party will nominate a mediator. The two mediators nominated will then select a separate mediator who will establish the mediation process and format.
11. Governing Law; Jurisdiction. This Agreement shall be interpreted and construed in accordance with, and governed by, the laws of the State of Montana.
12. Assignment Limited. The provisions of this Agreement shall apply to and bind the successors and assigns of the Parties hereto, but no assignment or transfer of this Agreement or any right or interest therein, shall be valid until approved in writing by each of the Parties.
13. Amendment. This Agreement may be amended, modified, supplemented, or superseded only by mutual agreement of all Parties hereto exhibited by a written instrument duly signed by all Parties hereto.
14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which shall be deemed to constitute one and the same instrument.
15. Execution Copies. The Parties shall execute duplicate original documents, one of each original shall be provided to each Party hereto.
16. Indemnification. Shelby agrees to indemnify and defend Authority for any claim or liability arising out of the operation and maintenance of the Shelby/Cut Bank Component.
17. Termination. This Agreement may be terminated by either party by giving 60 days written notice to the other party. The Authority may immediately terminate this Agreement by providing Shelby with such notice in writing if in the opinion of the Authority such termination is necessary to protect the Authority's system or prevent or respond to an emergency situation related to the quality of the drinking water being provided by the Authority.

City of Shelby



Printed Name: Larry J. Borden
Title: Mayor
Date: 4-26-2016

North Central Montana
Regional Water Authority



Printed Name: Shawn R. Schwarzbach
Title: Vice President
Date: 4-26-2016

EXHIBIT A
Shelby Segment of the Shelby/Cut Bank Component
(Map/Description)

EXHIBIT B
Tapping/Connection Requirements

1. Prior to making any connection to the Authority's pipelines or facilities, written application and payment of the costs of connection must be made in advance to the Authority.
2. Connection Fees/Costs: Subject to the following, connection fees shall be as determined by the Authority, and at a minimum:
 - 2.1 Unless otherwise agreed to by the Authority, Shelby shall be responsible for all costs associated with a connection to the Authority's property, except for those connections that are greater than 2 inches in diameter and expressly planned for by the Authority.
 - 2.2 Authority shall be responsible for the costs associated with installing connections that are greater than 2 inches in diameter and are expressly planned for in advance by the Authority.
 - 2.3 When an application has been granted, Authority, at the applicant's expense, will tap the Authority's pipe and furnish all necessary materials and labor furnished in connection with the tapping of the pipe. All such expenses for connecting and laying and maintaining the service pipes from the Authority's pipe to the edge of the Authority's easement shall be the responsibility of the applicant. In addition, the responsibility for the laying and maintenance of the service pipes from the edge of Authority's easement is the responsibility of the applicant.
3. The service pipe must be laid at a standard depth designated by the Authority to prevent freezing. Any curb stop must be set on or near the property line identifying the edge of Authority's easement.
4. Supervision by Authority: The Authority or its designated agent will supervise the connection to Authority's pipelines or facilities.
5. The type, size, design and material of service lines shall be approved in advance by the Authority.
6. Records: A record shall be kept, in a place provided by the Authority, of a map showing, type, size, and location of the connection, together with supporting data and date of completion.
7. Authority shall not be responsible for service pipes and fixtures. All owners at their own expense must keep service pipes from Authority's pipe and all their apparatus in good working order and properly protected from frost or other dangers. No claim shall be made against the Authority on account of the breaking of any service pipes or apparatus, or for accidental failure in the supply of water.