

EXHIBIT B

SHORELINE ASSET MANAGEMENT PRIORITY PROGRAM

Purpose:

The City of Shoreline (City) and Seattle Public Utilities (SPU) desire to increase their city-to-city partnership, in particular, in SPU's provision of municipal water utility services to portions of the City. As part of that partnership and in consideration of the Amended, Restated and Extended Franchise, SPU has agreed to establish a program to provide an opportunity for City priorities to be reflected in asset management decisions made by SPU, but within the City's jurisdiction.

A. Shoreline Asset Management Priority Program

1. SPU will establish a Shoreline Asset Management Priority Program ("Program"), that will be used to prioritize and implement certain SPU distribution system capital improvements in SPU's retail service area within the City of Shoreline that are in addition to capital improvements SPU would normally program under its standard practices. This Program is intended to reflect City of Shoreline priorities in certain asset management decisions made by SPU that may be different than the capital planning priorities or levels of service within SPU's distribution system within the City of Seattle. The types of SPU distribution system capital improvements that could be prioritized under this Program include:
 - a. different fire flow and fire protection standards
 - b. different standards for general/minimum pipe sizes
 - c. mainline extensions, expansion projects and gridding/redundancy done in advance of actual development projects

2. The Shoreline Asset Management Priority Program includes the following provisions:
 - a. The Program will be effective beginning in 2018 and continue for the remaining term of the Amended, Restated, and Extended Franchise granted by Ordinance No. 804. The parties understand and agree that due to the timing of the granting of the amended Franchise, the 2018 target would not be implemented until 2019 and that it would be prudent to plan for the 2018 and 2019 targets in the first year of the Program, and then annually thereafter.
 - b. Each year of the Program, the City and SPU will meet to develop a project list of eligible capital improvements within SPU's retail service area within the City of Shoreline ("Project List"). The Project List will include:
 - i. Identification of Shoreline priority capital improvements

- ii. Project list would prioritize and target \$1 million of capital improvement projects per year of the Program based on SPU's estimated total project costs at 30% design.
 - iii. If total project cost estimate of a project on the Project List at the 90% design point is 25% or more than the cost estimate at 30% design, the parties will mutually agree to either A) remove the project from the Project List and replace with an alternative or B) continue the project and agree that the increased portion of the project cost would come from another year's \$1M target (or be paid by the City).
 - iv. The Parties can mutually agree to a capital project that is over \$1M in one year with agreement that up to 2 additional year's target amounts will be used up by that project, e.g. if \$3M project in year 1, next new project would be year 4.
- c. Project List Development
- i. Annually, between January and February each year, the parties will work together to develop the Project List in advance of SPU developing its spending plans and budget/CIP submissions for the following year. In general, Shoreline would identify and propose a list of capital projects or improvements to the SPU distribution system within the City of Shoreline that it would like prioritized in its jurisdiction and the parties would work together to prioritize the list for implementation the following year.
 - ii. SPU would then follow its normal capital planning process and share the 30% design estimated total project cost with the City.
 - iii. The City will have opportunity to review and comment during the design process at the normal design milestones.
 - iv. Upon acceptance of a project design by the City, SPU would program the agreed project(s) in its Distribution System Improvements (C1128 under BCL C110B) CIP category and carry out the project as part of its annual CIP program, which is subject to Seattle City Council adoption and appropriation of funds.
 - v. SPU will diligently pursue the agreed projects programmed in its annual CIP program and provide periodic progress reports on the projects.