

**WHOLESALE WATER SUPPLY AGREEMENT BETWEEN
THE CITY OF SACRAMENTO
AND SACRAMENTO SUBURBAN WATER DISTRICT**

THIS AGREEMENT is made and entered into this 20th day of January, 2003, ⁴ by the CITY OF SACRAMENTO, a charter municipal corporation (hereinafter referred to as "City") and the SACRAMENTO SUBURBAN WATER DISTRICT, a California special district (hereinafter referred to as "District").

RECITALS

- A. On February 13, 1964, the City and Arcade Water District ("Arcade") entered into an agreement, a copy of which is attached to this Agreement as **Exhibit A** (the "1964 Water Supply Agreement"), under which the City granted to Arcade the right to divert up to 26,064 acre feet of water per year from the American River under the City's "Permit Supply," as that term is defined in the 1964 Water Supply Agreement, for use within the service area of Arcade that was within the portion of the authorized place of use ("POU") for the City's American River water right permits, referred to as "Area D" in the 1964 Water Supply Agreement. On September 19, 2001, the City and Arcade entered into an agreement under which the City consented to the transfer by Arcade of all rights and obligations under the 1964 Water Supply Agreement to the District, upon the consolidation of Arcade with Northridge Water District ("Northridge") to form the District. This Agreement does not involve the diversion of water by the District under the 1964 Water Supply Agreement. Except as expressly provided below, nothing in this Agreement affects the rights and obligations of the City and the District under the 1964 Water Supply Agreement.
- B. The District owns and operates public utility water systems and provides public utility water service to the public located in Sacramento County, California, for residential and commercial and industrial purposes, pursuant to authority granted to it by the California Legislature.
- C. The District desires to (1) obtain a wholesale supply of treated surface water under this Agreement, and (2) preserve the right of the District to divert untreated water if the District elects to do so, under the 1964 Water Supply Agreement for use within the service area described in the 1964 Water Supply Agreement. The District has capacity in its American River diversion facilities to divert and put to beneficial use within such service area approximately 3,500 acre-feet of water per year under the 1964 Water Supply Agreement.
- D. The City and Arcade previously entered into agreements under which (1) Arcade reimbursed the City for a portion of the costs incurred by the City to construct City water transmission mains, and (2) Arcade acquired ownership rights in a portion of such transmission mains, for the purpose of conveying water from the City's E.A. Fairbairn Water Treatment Plant ("Fairbairn Plant") to Arcade, as shown in **Exhibit B**. The District is the successor to Arcade's ownership rights.

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- E. The City is expanding the capacity of the Fairbairn Plant. Until such expansion is completed, studies conducted by the City indicate that the City's Fairbairn Plant, storage facilities and transmission mains have adequate Non-Firm Capacity (as defined below) as of the date of this Agreement to supply the District a maximum of up to ten million gallons per day ("mgd") of treated water. After the City's planned expansion of the Fairbairn Plant and improvement of transmission main capacities, the City expects to have adequate Firm Capacity (as defined below) to supply the District additional treated water, as provided herein. The maximum day flows specified herein for the use of Non-Firm and Firm Capacity are hereafter collectively referred to as the "District Water Requirements".
 - F. The City has completed environmental review for the expansion of the Fairbairn Plant, and the expansion project currently is under construction.
 - G. The City and the District are both signatories to the Sacramento Water Forum Agreement, and this Agreement is consistent with that agreement.
 - H. Subject to the terms and conditions contained herein, the City is willing to provide a wholesale supply of treated surface water to meet the District Water Requirements.
 - I. The City entered into an agreement with Northridge's predecessor, the Northridge Park County Water District, dated January 31, 1980 (the "1980 Water Supply Agreement"), under which the City granted to Northridge Park County Water District the right, subject to specified conditions, to divert up to 9,023 acre-feet per year from the American River under the City's Permit Supply for use within the service area of Northridge Park County Water District that was within that portion of the POU referred to as "Area D" in the 1980 Water Supply Agreement. The conditions specified for the 1980 Water Supply Agreement to be effective were not fulfilled. The parties agree that this Agreement does not constitute, and will not be interpreted as, an acknowledgment or admission by the City that the 1980 Water Supply Agreement remains a valid or binding agreement, nor does this Agreement involve any diversion of water by the District (as successor to Northridge) under the 1980 Water Supply Agreement.

In consideration of the foregoing and of the mutual covenants herein contained, the parties hereto agree as follows:

1. **Recitals Incorporated:**

The foregoing recitals are incorporated by reference.

2. **Purpose:**

The purpose of this Agreement is to establish the conditions under which the City will divert, treat, convey and sell surface water to the District on a wholesale basis to meet the District Water Requirements, for use within the District Service Area, both before and after expansion of the

Fairbairn Plant and the completion of improvements to the City's water transmission facilities. Nothing in this Agreement affects the right of the District to divert and put to beneficial use within the District Service Area untreated surface water under the 1964 Water Supply Agreement if the District so elects, subject to the provisions of Section 4, below.

3. **Definitions:**

- a. *Arcade:* Arcade Water District, one of the predecessor entities of the District.
- b. *Capital Costs:* Costs incurred by the City to design and construct diversion, pumping, treatment, storage and transmission facilities used to provide treated water to the District under this Agreement, including reasonable administrative costs.
- c. *City:* The City of Sacramento.
- d. *City Transmission Facilities:* All facilities, including transmission mains, storage facilities and all appurtenances that are owned and operated by the City to supply water from the City Treatment Facilities, as they exist today and as they may be modified and expanded in the future.
- e. *City Treatment Facilities:* All facilities that are owned and operated by the City to divert and process water to meet the requirements established for drinking water by the California Department of Health Services and the United States Environmental Protection Agency, including the Fairbairn Plant, groundwater wells, and the Sacramento River Water Treatment Plant, as they exist today and as they may be modified and expanded in the future.
- f. *City Water Rights and Entitlements:* The City's surface water rights and entitlements, including pre-1914 rights, five water right permits issued by the State Water Resources Control Board and a water rights settlement contract entered into in 1957 with the United States Bureau of Reclamation.
- g. *Connection Fee:* The fee(s) paid by the District for its share of Capital Costs for Non-Firm and Firm Capacity used to provide treated water to the District under this Agreement, as provided in Section 9.b., below.
- h. *Delivery Criteria:* The operating guidelines and criteria governing the delivery of treated water under this Agreement.
- i. *District:* The Sacramento Suburban Water District.
- j. *District Water Facilities:* All facilities, including transmission mains, storage facilities and all appurtenances, which are owned and operated by the District to supply water. The District Water Facilities to be used to obtain water under this Agreement are shown on **Exhibit B**.

- k. *District Water Requirements:* The maximum-day flow amounts specified for the delivery to the District of treated water utilizing Non-Firm and Firm Capacity in accordance with the provisions of this Agreement.
- l. *District Service Area:* Those lands served by the District, as may change from time to time, within the POU. The current District Service Area is shown on **Exhibit C** to this Agreement.
- m. *Expanded Fairbairn Plant:* The City's E.A. Fairbairn Water Treatment Plant (Fairbairn Plant) after the current projects to expand the Fairbairn Plant's treatment capacity to 200 mgd and to modify the water intake to comply with current fish screening requirements are completed, and the modified water intake and expanded treatment capacity are fully operational.
- n. *Fairbairn Plant:* The City's E.A. Fairbairn Water Treatment Plant located on the south bank of the Lower American River downstream of Howe Avenue.
- o. *Firm Capacity:* Capacity in the City Treatment and Transmission Facilities that is available to divert, treat and deliver water to the District on an equal priority to the use of such capacity to meet the demands of the City's other water supply customers, except as provided otherwise in this Agreement.
- p. *1964 Water Supply Agreement:* The February 13, 1964 agreement between the City and Arcade Water District, attached hereto as **Exhibit A**.
- q. *Non-Firm Capacity:* Capacity in the City Treatment and Transmission Facilities that is available to divert, treat and deliver water to the District in accordance with the provisions of this Agreement after the capacity demands of the City's other water supply customers are fully met.
- r. *Northridge:* Northridge Water District, one of the predecessor entities of the District.
- s. *POU:* All lands where the City is authorized to use surface water pursuant to the City's four American River water right permits.
- t. *Service Charge:* A monthly fee for fixed administrative costs billed to the District, as provided in Section 9.a., below.
- u. *Service Connection:* A point of connection for delivery of treated water from the City Transmission Facilities to the District Water Facilities pursuant to this Agreement, of which there may be more than one as determined by the parties from time to time.
- v. *Transmission Main Improvements:* Planned improvements to the City Transmission

Facilities that will assist in providing adequate Firm Capacity for the delivery of treated water to the District in accordance with Section 6.b., below, as shown on **Exhibit B** to this Agreement.

- w. *Treated water or treated surface water:* Water that is treated to meet the requirements established for drinking water by the California Department of Health Services and the United States Environmental Protection Agency.
- x. *Unit Rate:* The charge billed to the District at a cost per unit quantity of treated water delivered under this Agreement, as provided in Section 9.a., below.
- y. *Water Forum Agreement:* The Sacramento Water Forum Agreement dated January 2000 and any subsequent amendments or supplements thereto, including the Purveyor Specific Agreement signed by the District on June 5, 2003.
- z. *Wholesale Water Rate:* The Unit Rate and Service Charge billed to the District, as provided in Section 9.a., below.

4. Diversion of Untreated Water by the District:

Nothing in this Agreement affects the right of the District under the 1964 Water Supply Agreement to divert untreated water for use within the portion of the District Service Area located within "Area D," in accordance with the terms of the 1964 Water Supply Agreement, provided that (a) the District complies with all applicable legal, regulatory and contractual requirements, including applicable provisions of the Water Forum Agreement, and (b) notwithstanding any provision of this Agreement to the contrary, the City may deduct any amount of untreated water diverted by the District under the 1964 Water Supply Agreement from the amount of water otherwise required to be diverted, treated and delivered to the District under this Agreement.

5. Delivery Criteria for Treated Water:

The delivery of treated water under this Agreement will be governed by the operating guidelines and criteria set forth in the Delivery Criteria attached hereto as **Exhibit D**. The Delivery Criteria may be modified from time to time by the mutual written agreement of the City's Director of Utilities and the District's General Manager, provided that such modifications are consistent with the provisions of this Agreement.

6. Maximum Treated Water Diversions and Deliveries:

- a. Pre-Fairbairn Plant Expansion. Prior to the completion and commencement of operation of the Fairbairn Plant Expansion and Transmission Main Improvements, only Non-Firm Capacity will be available to divert, treat and deliver water to the District in accordance with the provisions of this Agreement. The water diverted, treated and delivered to the District utilizing Non-Firm Capacity, prior to the completion and commencement of operation of the Fairbairn Plant Expansion and

Transmission Main Improvements, will not exceed a maximum amount of ten million gallons per day (mgd), and will not exceed the maximum instantaneous rate specified in the Delivery Criteria.

- b. Post-Fairbairn Plant Expansion. After the completion and commencement of operation of the Fairbairn Plant Expansion and Transmission Main Improvements, Firm Capacity will be available to divert, treat and deliver water to the District in accordance with the provisions of this Agreement. The water diverted, treated and delivered to the District utilizing Firm Capacity, after the completion and commencement of operation of the Fairbairn Plant Expansion and Transmission Main Improvements, will not exceed a maximum amount of twenty mgd, and will not exceed the maximum instantaneous rate specified in the Delivery Criteria.
- c. Additional Water. At any time during the term of this Agreement after the completion and commencement of operation of the Fairbairn Plant Expansion and Transmission Main Improvements, District may request that the City divert, treat and deliver additional water to the District utilizing up to ten mgd of Non-Firm and/or Firm Capacity beyond the twenty mgd maximum specified in subsection b, above (hereafter referred to as "Additional Water"). To the extent that the City determines in its sole discretion that adequate Non-Firm Capacity and/or Firm Capacity is available in the City Treatment and Transmission Facilities, up to such additional ten mgd, the City will utilize Non-Firm Capacity and/or Firm Capacity, as determined by City, to divert, treat and deliver Additional Water to District on the same terms and conditions as provided in this Agreement, including the Delivery Criteria, except that the Wholesale Water Rate and Connection Fee for Capital Costs paid by District for the diversion, treatment and delivery of Additional Water will be determined by mutual agreement of the City and District at that time. No Additional Water will be diverted, treated or delivered hereunder until the parties have agreed upon such Wholesale Water Rate and Connection Fee to be paid by the District.
- d. Notwithstanding any other provision of this Agreement to the contrary, the City will not be required to divert, treat or deliver any water to the District under this Agreement if any City facility(ies) necessary to do so are shut down for maintenance or repair, provided that such shut down also prevents the use of such facilities for the City's retail water customers.
- e. Water treated and delivered to the District under this Agreement may only be used by the District to provide municipal and industrial water service within the District Service Area, and will not be used by the District for any other purpose.
- f. Notwithstanding any other provision of this Agreement to the contrary, no water diverted and treated at the Fairbairn Plant, utilizing either Non-Firm or Firm Capacity, will be delivered to District under this Agreement at any time when the City's diversions at the Fairbairn Plant are restricted or limited, or the diversion of water for the District would cause the City's diversions to be restricted or limited, by

the Water Forum diversion restrictions incorporated in the City's four American River water right permits, which diversion restrictions are shown on **Exhibit E** to this Agreement.

- g. The limitation specified in subsection f., above, will not prevent the delivery by the City to the District of treated water diverted from the Sacramento River, utilizing Non-Firm and/or Firm Capacity, provided that facilities and capacity to divert, treat and deliver such water are available and the parties agree in writing upon, or amend this Agreement to set forth, the terms and conditions for the diversion, treatment and delivery of such water to the District, consistent with all applicable legal, regulatory and contractual requirements, including applicable provisions of the Water Forum Agreement.
- h. The parties acknowledge and agree that the City (1) does not lose or otherwise forfeit or abandon its rights to any quantity of water that is not diverted at the Fairbairn Plant by operation of the Water Forum diversion restrictions shown on **Exhibit E**, and (2) retains its rights to divert or redivert such water for municipal and industrial use at or downstream of the confluence of the American River and the Sacramento River, as well as any rights City may have to transfer that water for other beneficial uses. The City and the District intend that, (1) in the event that water deliveries to the District under this Agreement are curtailed pursuant to subsection f., above, and (2) the City receives revenues for a transfer of water that would have been delivered to the District but for such curtailment, the City will consult with the District for the purpose of providing to the District a credit against payments due from the District to the City under this Agreement in an amount that reflects an equitable sharing between the City and the District of net revenues received by the City for such transfer.

7. Services Performed by the City:

The City will supply treated surface water to the District in accordance with the terms of this Agreement. The City will provide District with the City's water quality testing data on an annual basis or on such other schedule as may be agreed to by the parties.

8. Obligations of the District:

- a. The District will take delivery of the treated surface water made available by the City pursuant to the Delivery Criteria.
- b. The District will pay any and all costs associated with diverting, treating and delivering water to the District pursuant to this Agreement, as set forth in Sections 9 and 10 of this Agreement. In addition, the District will be wholly responsible for its pro rata share (comparing the quantities of water that the City delivers to the District and to other City retail and wholesale customers) of any and all costs reasonably incurred by the City in order to comply with all laws and regulations that may apply

to the diversion, treatment and delivery of water to the District hereunder, including but not limited to, the California Environmental Quality Act, the National Environmental Policy Act, the Federal and State Endangered Species Acts, the Federal Reclamation Laws, the Clean Water Act and the Porter-Cologne Water Quality Control Act. Further, the District will be wholly responsible for its pro rata share (comparing the quantities of water that the City delivers to the District and to other City retail and wholesale customers) of any and all costs associated with any other requirements and/or conditions that are or may be imposed on the diversion, treatment and/or delivery of water to the District by any federal, state or local agency, including but not limited to the U.S. Bureau of Reclamation, the California Department of Water Resources, the State Water Resources Control Board, the U.S. Fish and Wildlife Service, the National Marine Fisheries Service or the California Department of Fish and Game.

- c. Any deliveries of water to the District will be subject to any and all requirements and/or conditions contained in or in the future imposed on any of the City Water Rights and Entitlements.

9. Cost Allocation and Payment:

The cost allocations and payment for any water delivered pursuant to this Agreement will be governed by the following paragraphs.

a. Operations and Maintenance

- (1) The District will be charged a Wholesale Water Rate for diversion, treatment and conveyance of water. The Wholesale Water Rate shall consist of a Unit Rate calculated on a cost-per-unit quantity basis for water actually delivered, plus a monthly Service Charge for fixed administrative costs incurred irrespective of the quantity of water delivered. The Wholesale Water Rate will be determined by the City in an equitable manner such that the District neither subsidizes nor is subsidized by any other City customer or contractor. In no event, however, will the unit cost of water delivered exceed the City's annual operating, maintenance and applicable capital improvement costs (excluding Capital Costs included in the Connection Fees described in Section 9.b., below) for surface water treatment and conveyance divided by the number of gallons produced. Operating, maintenance and capital improvement costs included in the Unit Rate will include but not be limited to costs for operating, maintenance, personnel, services and supplies, and an equitable proration of appropriate overhead distribution. Operating, maintenance and capital improvement costs included in the Unit Rate will also include any costs attributable to any limitation, requirement, modification or other condition that applies, or that may in the future be applied, to any of the City Water Rights and Entitlements, but will exclude those costs that have no relationship to diverting, treating and delivering

water to the District, such as unrelated distribution system expenses or capital improvement costs. The initial Wholesale Water Rate (consisting of a Unit Rate plus a monthly Service Charge) is shown on **Exhibit F** to this Agreement.

- (2) The City may adjust the Wholesale Water Rate on an annual basis to reflect actual or anticipated cost increases.
- (3) Billing procedures and payment for water will be in accordance with the City's standard practice. The Wholesale Water Rate will be in addition to the Connection Fee(s) described in subsection b., below.
- (4) The Wholesale Water Rate for water diverted, treated and delivered using Non-Firm Capacity and Firm Capacity will be the same.

b. Connection Fees for Use of Non-Firm and Firm Capacity

- (1) The District will pay a Connection Fee for its share of Capital Costs for diversion, pumping, treatment, storage and transmission facilities, which fee will include reasonable administrative costs. The initial Connection Fee for use of Non-Firm Capacity in the City's existing facilities to divert, treat and deliver water to the District up to the maximum amount and rate specified in Section 6.a., above, is shown on **Exhibit G** to this Agreement.
- (2) The District will pay City the initial Connection Fee specified in **Exhibit G** in a single payment not later than thirty days after the City's completion and commencement of operation of the Fairbairn Plant Expansion, or prior to receiving any water diverted, treated and delivered under this Agreement, whichever occurs first.
- (3) Although the initial Connection Fee described in subsection b(1), above, is based on the use of Non-Firm Capacity, the initial Connection Fee specified in **Exhibit G** is the same as the Connection Fee that would be charged for the use of Firm Capacity. This is because the City's preliminary studies show that adequate Non-Firm Capacity is likely to be available in the City's existing facilities for the delivery of treated water, in accordance with the provisions of this Agreement, up to the maximum amount and rate specified in Section 6.a., above, at all times. If Non-Firm Capacity is not available in the City's existing facilities for the delivery of treated water, in accordance with the provisions of this Agreement, up to the maximum amount and rate specified in Section 6.a., above, for a cumulative total amount of thirty or more days prior to the City's completion and commencement of operation of the Fairbairn Plant Expansion and Transmission Main Improvements, the City will provide the District a credit against payments due from the District to the City under this Agreement in the amount specified in **Exhibit H**.

- (4) In the event that the City completes and commences operation of the Fairbairn Plant Expansion and Transmission Main Improvements, thereby making available Firm Capacity to divert, treat and deliver water to the District up to the maximum amount and rate specified in Section 6.b., above, the District will pay an additional Connection Fee for the District's share of Capital Costs for Firm Capacity in such expanded and improved diversion and treatment facilities, based on the difference between the maximum amounts specified in Section 6.b. and Section 6.a. of this Agreement. The additional Connection Fee will use the same unit cost fee that is specified for the initial Connection Fee in **Exhibit G**, except that such unit cost fee will include annual adjustments to reflect increases in the construction cost index in the same manner that the amount of the City's water system development fee is adjusted pursuant to Section 13.04.820(C) of the Sacramento City Code. The District will have the option of paying the additional Connection Fee (i) in a single payment prior to receiving any water diverted, treated and delivered using Firm Capacity as specified in Section 6.b., above, or (ii) in the form of an annual capital recovery charge payable upon such terms and conditions as may be reasonably determined by the City.
- (5) The Connection Fees specified above shall be in addition to the District's payment of a portion of the City's cost to design and construct the Transmission Main Improvements, pursuant to the Agreement for Payment of Cost Share between the District and the City, dated October 1, 2003.

10. Service Connections:

- a. Treated water delivered to the District under this Agreement will be provided from the City Transmission Facilities to the District at the Service Connection to be designed and constructed by the District at the location shown on **Exhibit B**. Additional Service Connections may be established by mutual written agreement of the City's Director of Utilities and the District's General Manager, provided that the City will determine whether an additional Service Connection will be designed and constructed by the District or by the City.
- b. If a Service Connection is designed and constructed by the City, subject to review and comment by the District, the District will pay all direct and indirect costs incurred by the City to design, bid and construct the Service Connection, including all reasonable costs of administering design and construction contracts, as well as the cost of preparing all environmental documents and obtaining all permits, property rights or other approvals required for the installation, operation, maintenance and repair of the Service Connection in compliance with all applicable laws and regulations. Such payments will be in addition to the charges, costs and fees set forth in Section 9, above, and will be made in the following manner:
 - (1) After performing a preliminary design of the Service Connection, the City

Director of Utilities will estimate all costs described herein, and such preliminary design and estimate will be provided to the District for approval. Such approval will not be unreasonably withheld.

- (2) During the design phase and the construction phase, the City will bill the District at regular intervals for reasonable costs incurred by the City during the billing cycle. The District will pay each invoice within six weeks.
 - (3) Upon completion of construction of the Service Connection, and the resolution of any claims, disputes or litigation related to its design or construction, including claims or litigation related to the acquisition of permits, property rights or other approvals, claims or litigation related to the preparation or approval of environmental documents, stop notice claims or litigation, and contract claims or litigation, the City will provide the District with a statement of any and all costs actually incurred by the City. Such statement will include any and all costs reasonably incurred by the City with regard to any of the claims, disputes or litigation described above, including any and all costs related to the settlement of any such claims, disputes or litigation. If such costs exceed the amount of money theretofore paid by the District to the City, the District will pay to the City the amount by which such actual costs exceed the amount already paid. Any payments made by the District pursuant to this provision will be made no later than six weeks after the statement of costs actually incurred by the City is provided to the District.
 - (4) Notwithstanding anything contained herein to the contrary, the District will reimburse the City for any and all reasonable preliminary design costs incurred by the City in connection with any proposed Service Connection, even if such preliminary design or any cost estimate based on such design is not accepted or approved by the District.
- c. If a Service Connection is designed and constructed by the District, the District will be wholly responsible for designing, bidding and constructing the Service Connection, as well as preparing all environmental documents and obtaining all permits, property rights or other approvals required for the installation, operation, maintenance and repair of the Service Connection in compliance with all applicable laws and regulations. Such activities will be paid for entirely by the District, and will be subject to the following requirements:
- (1) Prior to the construction of any Service Connection by the District, both the preliminary design and the final design must be approved in writing by the City Director of Utilities. Such approval will not be unreasonably withheld. If either or both the preliminary design or final design is not approved by the City Director of Utilities, the City will notify the District in writing of the reason or reasons why such design is not acceptable, and the District will perform such revisions as may be necessary to obtain the approval of the

City.

- (2) In addition to paying its own costs, the District will reimburse the City for reasonable costs incurred by the City during the design and construction of the Service Connection by the District. Upon completion of construction of the Service Connection, and the resolution of any claims, disputes or litigation related to its design or construction, including claims or litigation related to the acquisition of permits, property rights or other approvals, claims or litigation related to the preparation or approval of environmental documents, stop notice claims or litigation, and contract claims or litigation, the City will provide the District with a statement of any and all costs actually incurred by the City to review, inspect or otherwise participate in the design and construction of the Service Connection. Such statement will also include any and all costs reasonably incurred by the City with regard to any of the claims, disputes or litigation described above, including any and all costs related to the settlement of any such claims, disputes or litigation, provided that any such settlement was approved in advance by the District staff, and provided further that such approval will not be unreasonably withheld. The District will pay the costs identified on such statement no later than 6 weeks after the City provides such statement to the District.
 - (3) Notwithstanding anything contained herein to the contrary, the District will reimburse the City for any and all reasonable costs incurred by the City in connection with the design of any proposed Service Connection by the District, even if the preliminary or final design is not approved or if such Service Connection is not constructed.
- d. The City will own, operate, maintain and repair all facilities associated with the Service Connection, including flowmeter, flow transmitter, pressure transmitter, motor operated valve (M.O.V.), S.C.A.D.A. and electrical pedestal. As part of such operation, maintenance and repair, the City will calibrate instrumentation at reasonable scheduled intervals, at least annually, and will report such calibration as requested by the District. If such facilities are constructed by the District, upon the completion and City acceptance of such facilities, the District will convey to the City (1) title to such facilities, and (2) permanent access rights to operate, maintain and repair such facilities, at no cost to the City. All operation, maintenance and repair costs incurred by the City will be reimbursed by the District by including such costs in the Wholesale Water Rate paid by the District under Section 9, above. For metering errors in excess of 2 percent, Wholesale Water Rates may be adjusted upward or downward, as appropriate.
- e. The District will design, construct, own, operate and maintain all facilities downstream of the Service Connection, including surge control facilities to mitigate the effects of flow stoppage. The District will submit plans for surge control facilities for review and approval of the City prior to construction, which approval

will not be unreasonably withheld.

- f. Unless required by the City's Director of Utilities or otherwise required by law or regulation, backflow prevention devices will not be required at the Service Connections provided that (i) the District has a backflow prevention program meeting State regulations, and (ii) all facilities within the District Service Area meet the standards of the California Department of Health Services and U.S. EPA.
- g. Delivery pressure will be a minimum of 30 pounds per square inch ("psi"), but in no event will it be greater than 80 psi. The City will not be obligated to supply water to any or all Service Connection points at an aggregate rate exceeding the maximums set forth in Section 6, above.

11. Term of Agreement:

This Agreement will become effective as of the date it is signed by the last signatory and is approved by the Board of Directors of the District and the City Council, and will continue in full force and effect unless terminated by mutual written agreement of the parties hereto or by operation of law.

12. Failure to Deliver Water:

It is understood and agreed that, while the City will make every reasonable effort to treat and convey water pursuant to the terms of this Agreement, the City is not warranting or guaranteeing that it will be able to divert, treat, store and/or deliver water, nor will the City be liable for any failure to deliver water to the District hereunder, provided such failure is caused in whole or in part by an emergency condition or other factors beyond the direct control of the City. It is further understood and agreed that City will not be liable for any failure to deliver water to the District hereunder, prior to completion of the Fairbairn Plant Expansion project and/or Fairbairn intake modification project, that is caused in whole or in part by any construction conditions or requirements or other actions or omissions occurring in the course of project construction, whether or not beyond the direct control of the City.

13. The City Water Rights and Entitlements:

This Agreement will not affect or limit in any way the City Water Rights and Entitlements. Notwithstanding anything herein to the contrary, it is understood and agreed that the District's rights hereunder will at all times be subject to, and exercised in accordance with, any limitation, requirement, modification or other condition that applies, or that may in the future be applied, to any of the City Water Rights and Entitlements.

14. Fluoridation:

The District acknowledges that treated water delivered to the District may contain fluoride, and agrees that, in the event that the City treats water with fluoride, the District will be

solely responsible for: (1) any public notification to all or any portion of the District Service Area that the water provided hereunder has been treated with fluoride; and (2) for all costs associated with or resulting from the introduction of fluoridated water into the District facilities, including monitoring and testing costs. In the event that the City treats water delivered to the District hereunder with fluoride, the District will comply, at no cost to the City, with any requirements pertaining to such fluoridation imposed by any governmental agencies with jurisdiction, including without limitation, the Department of Health Services. The District's failure to comply with any such requirements applicable to the wholesale of water hereunder will relieve the City of any responsibility to deliver water pursuant to this Agreement, until such requirements are fulfilled.

15. Notices:

Unless indicated otherwise herein, all notices, invoices, payments, statements or other writing authorized or required by this Agreement may be delivered personally, or sent in the United States mail, postage prepaid, or sent by electronic mail if the recipient confirms receipt, and addressed to the respective parties as follows:

The City:

Director, Department of Utilities
City of Sacramento
1395 35th Avenue
Sacramento, CA 95822
Electronic mail: greents@cityofsacramento.org

The District:

General Manager
Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95881
Electronic mail: rroscoe@sswd.org

All notices, invoices, payments or other writings will be deemed served on the day that they are personally served, deposited, postage prepaid, in the United States mail, or if served electronically, on the day that the recipient acknowledges receipt. A party may change the above designations by providing notice thereof to the other party.

16. Indemnification and Defense:

- a. By The District: The District will fully indemnify, hold harmless and defend the City, its officers and employees, from any claims, actions or liability for any damages, any injury to persons or property, or any violation of any law or regulation, occurring by reason of anything done or omitted to be done by the District, its officers or employees, under this Agreement. Except as specified in subsection b., below, the District will fully indemnify, hold harmless and defend the City, its officers and employees from any claims, actions or liability for any damages, any

injury to persons or property, or any violation of any law or regulation, occurring by reason of any action taken by the City, its officers or employees, if such action is required or authorized under this Agreement, unless such damages, injury, or violation result solely from the willful or intentional acts of the City.

- b. By The City: Notwithstanding anything to the contrary herein, the City will fully indemnify, hold harmless and defend the District, its officers and employees, from any claims, actions or liability for any damages, any injury to persons or property, or any violation of any law or regulation, occurring by reason of anything done or omitted to be done by the City, its officers or employees in connection with the processing, treating or conveyance of water by the City Treatment and Transmission Facilities. Such duty to indemnify, hold harmless and defend will include all claims, actions or liability occurring by reason of anything done or omitted to be done by the City in connection with any delivery by the City of water that fails to comply with the definition of Treatment contained herein.

17. Dispute Resolution:

- a. Disputes: If a dispute arises concerning any controversy or claim arising out of or relating to this Agreement or the breach thereof, or relating to its application or interpretation, the aggrieved party will notify the other party of the dispute in writing within twenty days after such dispute arises. If the parties fail to resolve the dispute within thirty days after delivery of such notice, each party will promptly nominate a senior officer of its organization to meet at any mutually-agreed time and location to resolve the dispute. The parties agree to use their best efforts to reach a just and equitable solution satisfactory to both parties. Should the parties be unable to resolve the dispute to their mutual satisfaction within thirty days thereafter, the dispute will be subject to arbitration, pursuant to subsection b., below. The time periods set forth in this section are subject to extension as agreed to by the parties.
- b. Arbitration: A dispute that is not resolved in accordance with subsection a., above, will be subject to arbitration by an arbitrator in Sacramento, California, provided, however, that each party reserves the right to file with a court of competent jurisdiction an application for temporary or preliminary injunctive relief on the grounds that the arbitration award to which the applicant may be entitled may be rendered ineffectual in the absence of such relief. Except as otherwise provided herein, the arbitration will be conducted under and will be subject to the provisions of the California Arbitration Act (Code of Civil Procedure sections 1280 through 1294.2). The parties in the arbitration will select a single, qualified, neutral arbitrator. If they cannot agree on an arbitrator, or an alternative selection process, the parties will request that the Presiding Judge of the Sacramento County Superior Court select an arbitrator in accordance with the provisions of section 1281.6 of the Code of Civil Procedure.

A hearing on the matter to be arbitrated will take place before the arbitrator in the

County of Sacramento at a time and place selected by the arbitrator. However, the hearing will take place no later than sixty days after selection of the arbitrator. The arbitrator will select the time and place for the hearing, and will give the parties written notice of the time and place at least twenty days before the date of the hearing. At the hearing, any relevant evidence may be presented by the parties, and the formal rules of evidence applicable to judicial proceedings will not apply. The arbitrator will hear and determine the matter. The arbitration award may include an award of damages and/or an award or decree of specific performance or declaratory or injunctive relief, will be in writing and will specify the factual and legal bases for the award. An award rendered pursuant hereto may be confirmed, corrected or vacated by a court of competent jurisdiction in accordance with the provisions of the California Arbitration Act. The arbitrator will have no authority, power or right to award punitive or other damages not measured by the prevailing party's actual damages, and will not make any ruling, finding or award that is inconsistent with or which alters, changes, amend, modifies, waives, adds to or deletes from any of the provisions of this Agreement.

The ongoing cost of the arbitration, including the arbitrator's fees, will be borne equally by the parties. Each party will also pay the costs of its own counsel, experts, witnesses and preparation and presentation of proofs. Additional incidental costs of arbitration may be allocated by the arbitration award.

- c. Defense to Suit: The parties agree that the failure to comply with the provisions of this Section will be a complete defense to any suit, action or proceeding instituted in any federal or state court, or before any administrative body, with respect to any dispute that is subject to arbitration hereunder, provided, however, that this subsection c. will not apply to any application for temporary or preliminary injunctive relief authorized under this Section.

18. Records Inspection:

Each party will be entitled to inspect and photocopy the records of the other party that pertain to this Agreement, upon providing reasonable notice to such other party of its intent to do so. Each party may also appoint an auditor or auditors to examine the financial records of the other party to determine the adequacy of cost accumulation and billing information maintained by each party. After reasonable notice, each party will make available to the other party's auditor or auditors all requested records, and will assist and cooperate with such auditors. Each party will keep its accounting and financial records in accordance with generally-accepted accounting principles and any applicable laws or regulations.

19. Amendments:

No amendment or modification to this Agreement will be valid unless executed in writing and approved by the governing bodies of the parties, provided, however, that the Delivery Criteria may be modified by mutual written agreement of the City Director of Utilities and the

District General Manager without obtaining approvals from the governing bodies of the parties hereto, as specified in Section 5, above.

20. No Third-Party Beneficiary:

This Agreement is not intended to, and will not be interpreted as conferring, any benefit or right whatsoever upon any person or entity that is not a party hereto.

21. Exhibits Incorporated:

All Exhibits referred to herein and attached hereto are fully incorporated into this Agreement as if such Exhibits were set forth in their entirety at this place.

22. General Provisions:

- a. This Agreement will be construed in accordance with, and governed by, the laws of the State of California. The place where this Agreement is to be performed and its situs or forum will at all times be in the County of Sacramento.
- b. The headings of the sections and paragraphs in this Agreement are inserted for convenience only. They do not constitute part of this Agreement and will not be used in its construction.
- c. This Agreement is the result of the joint efforts and negotiations of both parties, and both parties agree that this Agreement will be interpreted as though each of the parties participated equally in the drafting and composition of this Agreement and each and every part hereof.
- d. This Agreement may not be assigned by either party without the written consent of the non-assigning party, and any purported assignment without such consent will be void.
- e. The provisions of this Agreement shall bind the parties' successor entities and authorized assigns.
- f. Neither party nor its agents, consultants or contractors are or shall be considered to be agents of the other party in connection with the performance of this Agreement. Nothing in this Agreement shall be construed to create a joint venture, partnership or other relationship between the parties, other than the City acting in its municipal capacity with respect to the provision of wholesale water service to the District.
- g. The waiver by either party to this Agreement of a breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach of that or any other provision of the Agreement.

Attest:

By:

City Clerk

Approved as to Form:

By:

City Attorney

CITY OF SACRAMENTO

By:

Thomas Lee
For Robert Thomas, City Manager

SACRAMENTO SUBURBAN WATER DISTRICT

By:

Board President

S. EGGERT

Attest:

By:

Secretary

CITY AGREEMENT NO. _____

2004-013

List of Exhibits:

- Exhibit A: 1964 Water Supply Agreement
- Exhibit B: Map Showing City and District Facilities, with Detail of Service Connection
- Exhibit C: District Service Area within POU
- Exhibit D: Delivery Criteria
- Exhibit E: Water Forum Diversion Restrictions in City's American River Water Right Permits
- Exhibit F: Initial Wholesale Water Rate
- Exhibit G: Initial Connection Fee
- Exhibit H: Formula for Interest on Portion of District's Initial Connection Fee Payment
(Section 9.b.(3))

AGREEMENT BETWEEN CITY OF SACRAMENTO
AND ARCADE COUNTY WATER DISTRICT

City of Sacramento, a municipal corporation, hereinafter called Sacramento, and Arcade County Water District, a county water district, hereinafter called Arcade, jointly recite the following:

- A. Sacramento has the right to a water supply from the American River under Permits Nos. 11358, 11359, 11360, and 11361 on Applications 12140, 12321, 12622, and 16060, as they now exist or may hereafter be amended, as such permits are supplemented by an agreement between Sacramento and the United States Bureau of Reclamation dated June 28, 1957. Such water supply is hereafter referred to as the Permit Supply; the said agreement is sometimes referred to as the Bureau Agreement.
- B. The quantity of the Permit Supply was based upon serving the area shown as "Potential Water Service Areas" on Sacramento's Exhibit 3 to the State Water Rights Board introduced in the proceedings before that Board which resulted in Decision D 893. Said Exhibit 3 is attached hereto, marked Exhibit A and made a part of this agreement. Said Exhibit A also delineates the area to be served by water from Applications 12321

and 12662, above referred to, which were the applications assigned to Sacramento by the Sacramento Municipal Utility District with the express provision of such limitation in use. Only Area D of such Potential Water Service Areas as shown by said Exhibit A is involved in this agreement. The Permit Supply equals 1.133 cubic feet per second per 100 gross acres of the Potential Water Service Areas, and this figure is the basis for the water supply provided by this agreement to Arcade. The use basis shall be 50% as established before the State Water Rights Board and by the Bureau Agreement, that is to say, the annual use of such supply shall not exceed a quantity equal to 50% of the quantity which would be produced if such supply ran continuously throughout the year. Therefore, the water supply provided to Arcade by this agreement shall be 410.146 acre-feet of annual use for each 100 gross acres of the Potential Water Service Area served by Arcade.

- C. Arcade now serves 5988 acres of Area D as shown on Exhibit A which is also within the boundaries of Arcade, and 373 acres of Area D which is outside Arcade's boundaries, or a total of 6361

acres, which at the rate of 1.133 cfs per 100 acres equals 72 cfs, which is the maximum diversion allowable under this agreement at its date. As is provided by Paragraph 11 of the Bureau Agreement, the City is entitled to reasonable flexibility in its demands based on maximum daily requirements and maximum peaks during such days. Arcade shall be entitled to this same flexibility with the limiting provision that during any twenty-four hour period a quantity of water at the rate set forth, maintained for the full twenty-four hour period, shall not be exceeded. The maximum quantity to be diverted in any year shall be 26,064 acre feet allowable under this agreement at its date. During the life of this agreement it shall be the intent that Arcade will be provided water to serve its customers in such parts of Area D as shown on Exhibit A that Arcade may serve and should the areas being so served vary from the figures used in this agreement at its date then the maximum diversion allowable and the maximum permissible quantity to be diverted shall be proportionately adjusted in accordance with the diversion and quantity criteria set forth in this paragraph above.

Increases in the size of Area D as shown on Exhibit A which Arcade serves shall be agreed upon in advance, provided however that nothing in this agreement shall be construed as limiting or affecting the power of Arcade to conduct and act on any annexation or inclusion proceedings which may hereafter be brought. Hereafter in this agreement the permissible quantity which Arcade may divert, as established by this paragraph, shall be sometimes referred to as Arcade's Permissible Annual Diversion.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Sacramento grants to Arcade the right to divert from the American River that portion of its Permit Supply which Arcade requires for serving any portion of Area D as shown on Exhibit A which Arcade may actually serve from time to time, not to exceed the rate of diversion and annual quantity diverted as determined by Paragraph C of the recitals in this agreement. Arcade shall meter such diversions continuously and keep the original records thereof subject to inspection by Sacramento, and shall report in writing to Sacramento at least twice each year, and oftener if required, both the maximum diversion rates and the quantities of such

diversion, on a monthly basis.

2. The diversion of American River water by Arcade under this agreement shall be from a facility which serves area only within Area D as shown on Exhibit A. If Arcade wishes to construct facilities which will also divert water to serve outside of Area D as shown on Exhibit A, then Arcade must have suitable agreements with the U. S. Bureau of Reclamation for the furnishing of the additional water to be diverted by that facility and be used outside of Area D as shown on Exhibit A. Arcade shall furnish proof to Sacramento that either the diversion facility to be built will serve only area within Area D as shown on Exhibit A or that a combination diversion which may be built is the subject of separate agreement with the U. S. Bureau of Reclamation.
3. The operative date of this agreement shall be the first day of the calendar year in which Arcade diverts any water under this agreement, but in no event later than January 1, 1966.
4. Payment for water by Arcade to Sacramento under this agreement is intended to be on the same basis of actual cost of the water as represented by payments to the Bureau by Sacramento, plus

possible future additional costs as set forth in this paragraph. Definitions and methods of payment computation are as follows:

- a. Arcade's Permissible Annual Diversion is as defined in recital "C" of this agreement.
- b. Sacramento's Maximum Permissible Diversion shall be defined as the figure shown in Schedule "B" of the Bureau Agreement for the year 2030 or a reduced figure if such is ever established under the provisions of paragraph 13 of the Bureau Agreement.
- c. Sacramento's Unit Cost of water in any year shall be the amount of money paid to the U. S. Bureau of Reclamation under the Bureau Agreement divided by the maximum quantity of water which Sacramento may divert from the American River under the Bureau Agreement for said payment.
- d. Arcade's actual diversion shall be the annual quantity of water diverted by Arcade in accordance with the terms of this agreement and measured as provided by this agreement.
- e. Arcade's Minimum Quantity for payment in any year shall be determined by computing the ratio between Arcade's Permissible Diversion and Sacramento's Maximum Permissible Diversion and multiplying this ratio by the Diversion permissible under

Schedule B of the Bureau Agreement as it is printed without modification by other terms of the Bureau Agreement.

f. Payment by Arcade to Sacramento in any year shall be Sacramento's Unit Cost of water multiplied by either "Arcade's actual diversion" or "Arcade's Minimum Quantity for payment", whichever shall be the greater.

g. If in the future the City of Sacramento shall be assessed taxes by any public agency on water rights or diversions which comprise any part of the Permit Supply then this shall constitute an "additional cost" and this shall be charged to Arcade on the same pro rated basis of computation as was used to charge Arcade for payments made by Sacramento under its Bureau Agreement.

5. Payments for water to Sacramento by Arcade shall be made twice annually, immediately after July 1st of any year for the payments due for the first six months of that year, and immediately after January 1st of each year for payments due for the second six months of the preceding year.
6. All diversions and deliveries by Arcade under this agreement are subject to all of the

provisions of Decision D 893 of the State Water Rights Board and the conditions of Sacramento permits, including releases and flows for fish life, including protection of fish life, and to Sacramento's "Agreement of Assignment" with Sacramento Municipal Utility District dated June 28, 1957.

7. This Agreement shall not take effect until it has been approved in writing by the U. S. Bureau of Reclamation and until the State Water Rights Board has approved Arcade's points of diversion as an addition to those specified in Sacramento's permits. The parties will cooperate to obtain such approval.
8. This Agreement shall be in effect concurrent with, and at all times consonant with, the American River diversion permits, and State regulations or State laws relating thereto, held by Sacramento and with all terms of the Bureau Agreement. For reference, the Bureau Agreement shall be considered as an appendix to this agreement.
9. Arcade shall hold Sacramento harmless and indemnify it for any loss or damage resulting from any act or occurrence in any way

related to this agreement.

Dated this 13th day of February, 1964.

CITY OF SACRAMENTO

By /s/ JAMES B. MC KINNEY
Mayor

ATTEST:

/s/ Reginald H. Boggs
City Clerk

ARCADE COUNTY WATER DISTRICT,
a county water district

(seal)

By /s/ N. B. KELLER
President

and /s/ NANCY ROSS
Secretary

Approved as to form

/s/ WILLIAM T. SWEIGERT

Attorney for Arcade County
Water District.

RESOLUTION NO. 43

Adopted by The Sacramento City Council on date of
FEB. 13 1964

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the Mayor and City Clerk are hereby authorized and directed to sign and execute on behalf of the City of Sacramento that certain agreement by and between the CITY OF SACRAMENTO, a municipal corporation, therein called SACRAMENTO, and ARCADE COUNTY WATER DISTRICT, a county water district, therein called ARCADE, covering the selling of certain quantities of water under the terms of the City's agreement with the United States Bureau of Reclamation.

JAMES B. MCKINNEY
MAYOR

ATTEST:

REGINALD H. BOGGS
CITY CLERK

CERTIFIED AS TRUE COPY
OF RESOLUTION NO. 43

February 14, 1964
Date Certified

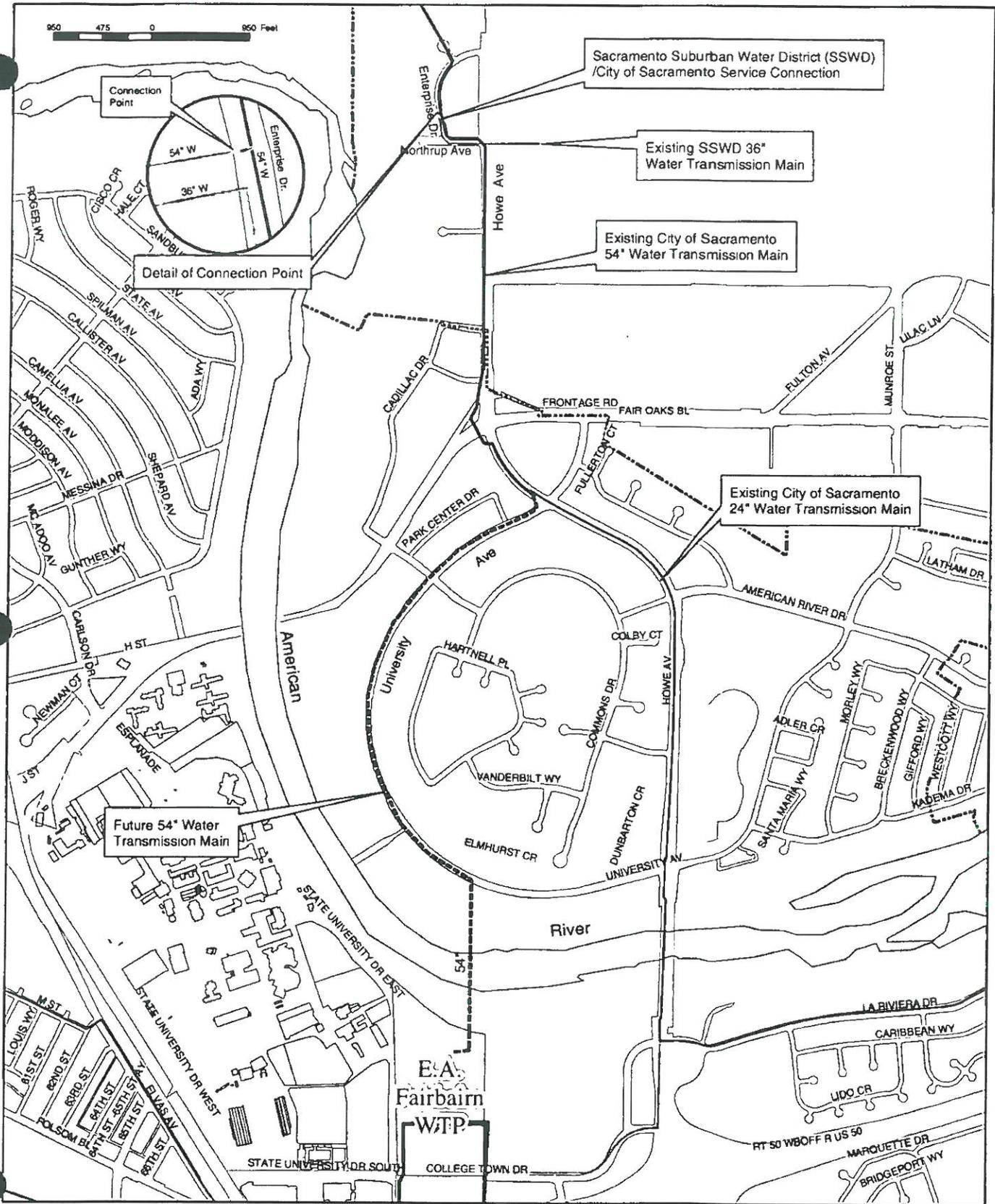
/s/ REGINALD H. BOGGS
City Clerk, City of
Sacramento

(SEAL)

Exhibit B

Map Showing City and District Facilities, with Detail of Service Connection

Exhibit "B"



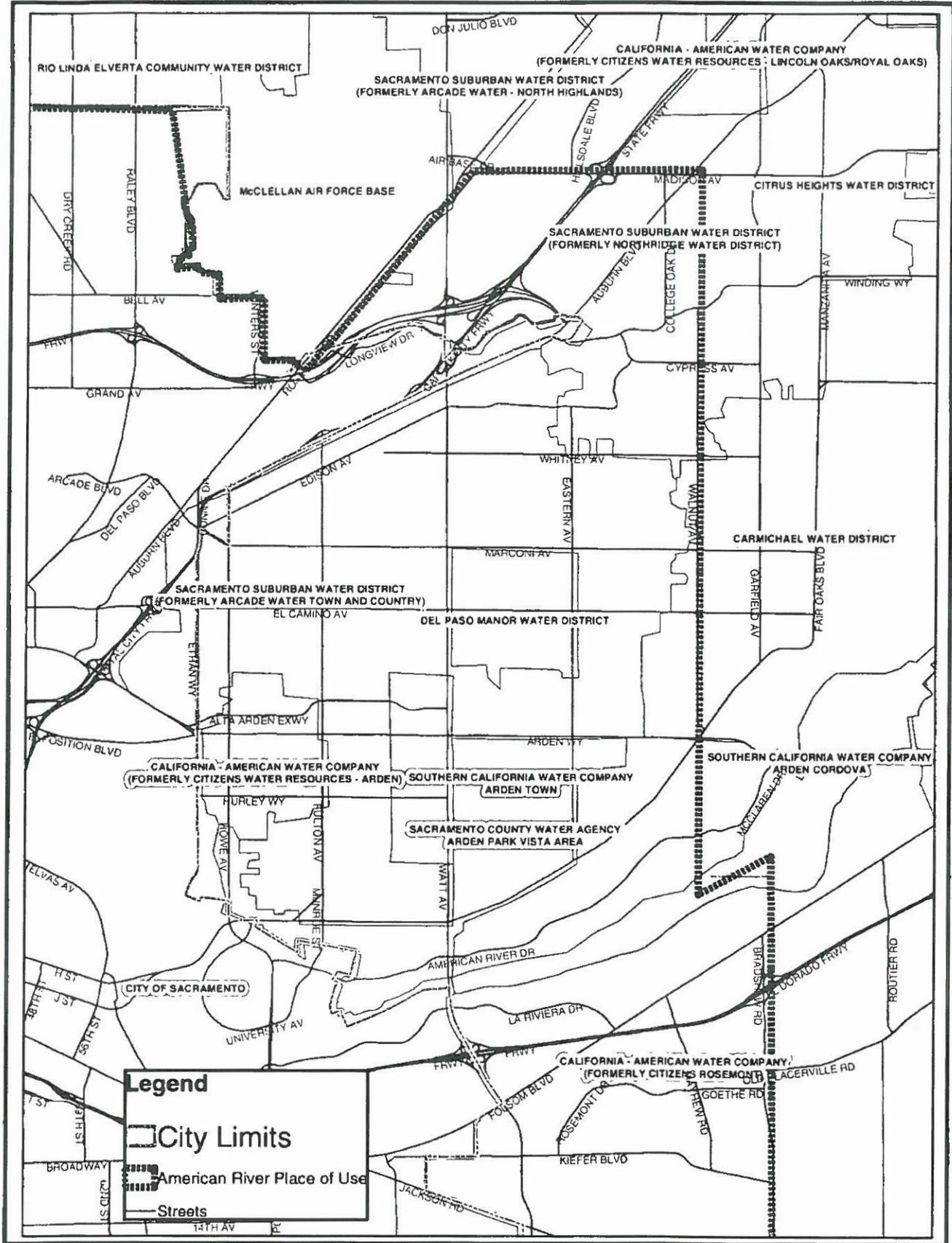
**Sacramento Suburban Water District/City of Sacramento
Wholesale Water Supply Service Connection**



Exhibit C

District Service Area within POU

Exhibit "C"



Sacramento Suburban Water District
Within American River Place of Use



EXHIBIT D

**CITY / SACRAMENTO SUBURBAN
ENTERPRISE DRIVE SERVICE CONNECTION**

DELIVERY CRITERIA

This document outlines the general delivery guidelines and criteria for the operation of service connections between the City of Sacramento (City) and the Sacramento Suburban Water District (District). The initial wholesale water service connection is located on Enterprise Drive between Northrop Avenue and Venture Court.

LIST OF CONTACTS:

The following listing of City and District contact names and phone numbers is provided in order of contact priority.

District:	WORK
James Arenz, Operator on Call	679-2892 (Cell-869-7359)
*Field Operations Dispatch (for Operator on Call)	972-7171
Richard Creechley, Treatment Plant Supervisor	679-2884 (Cell-416-5468)
*Utility Emergency Number (24-hr Line)	972-7171
Dan York, Field Operations Manager	679-2880 (Cell-869-7349)
Warren Jung, District Engineer, Operations	679-3987 (Cell-416-5467)
*Daily 8am-5pm; after hours, weekends and holidays-same number to answering service.	

City of Sacramento:	WORK
E.A. Fairbairn WTP Control Room	382-3106
E.A. Fairbairn WTP Hotline	383-1516
Steve Willey, Plant Operator Supervisor	382-3712
Mike Yee, Plant Service Division Manager	264-5583
Kathy Mullen, Water Superintendent	382-3105
Roland Pang, Water Superintendent	382-3119

OPERATIONAL PARAMETERS:

Per the agreement the following operational parameters shall be maintained by the City and District operators controlling the service connection.

Pre-Fairbairn Plant Expansion/Howe Avenue Transmission Main Construction

Instantaneous maximum flow rate = 10 mgd (6,950 gpm)*

Maximum daily volume = 10 mg

Post-Fairbairn Plant Expansion/Howe Avenue Transmission Main Construction

Instantaneous maximum flow rate = 20 mgd (13,900 gpm)*

Maximum daily volume = 20 mg

* A10% tolerance shall be allowed due to operational variations.

Per the operational requirements of the City supply and distribution system, the following additional operational parameters shall be maintained.

Minimum Pump Start Service Connection Pressure	= 35 psi
Minimum Service Connection Operation Pressure	= 30 psi

OPERATIONAL PROCEDURES:

1. For initial start-up, and for subsequently significant shut-down periods, District will call the E.A. Fairbairn Water Treatment Plant (FWTP) Control Room to communicate delivery status.
2. The FWTP Operator will check the system pressure at the service connection using the City's Supervisory Control and Data Acquisition (SCADA) system. If the pressure equals or exceeds 35 psi, the FWTP Operator will use the SCADA system to open the motor operated valve (MOV) located at the service connection. If the system pressure at the service connection is less than 35 psi, or the FWTP Operator has reason to suspect that the pressure shall fall to or below 35 psi within a short period from the call for delivery (based on historic demand trends), the FWTP Operator will deny District's request for delivery and not open the valve.

The SCADA system shall enunciate visually and audibly a low pressure condition (35 psi) and a low-low pressure condition (30 psi) in the FWTP Control room, and at the District control station. Should the low-low pressure condition remain in effect for 90 seconds, the District's booster pump station control logic shall initialize booster pump station shut-down. Should the District's booster pump station control logic fail to perform shut-down of the booster pumps, the City shall be obligated to close the service connection MOV.

3. When a request for delivery is authorized by the FWTP Operator, and the service connection MOV has been opened, the District Operator shall receive a fully open valve position signal through the pump station SCADA system. The District can then start the

first pump at the pump station using the VFD to ramp up flow while the FWTP Operator and the District monitors system pressure on the City side of the service connection. If the pressure falls to or below 35 psi the District shall adjust the flow to retain suction side pressure at or above 35 psi. The District shall strive to set stabilized operation of the pump station to maintain service connection pressure at or above 35 psi. If at any time the suction side pressure should fall to or below 30 psi the District's booster pump station control logic shall initiate booster pump station shut down.

4. If the system pressure remains above 35 psi the District shall be authorized to start additional pumps while monitoring service connection pressure to ensure that pressure does not fall below 35 psi. The District shall control the booster pump station control logic to maintain the service connection pressure at or above 35 psi. At no time shall the service connection pressure drop below 30 psi.
5. The City shall be responsible for reading and recording the time and flow quantities.
6. District can take a daily flow rate of up to 6,950 gpm (within a 10% tolerance due to operational variations) as measured by the City maintained service connection flowmeter as long as service connection pressures and conditions in paragraphs 2, 3, and 4 are met prior to completion of the FWTP expansion and construction of the Howe Avenue Transmission Main.
7. District can take a daily flow rate of up to 13,900 gpm (within a 10% tolerance due to operational variations) as measured by the City maintained service connection flowmeter as long as the service connection pressures and conditions in paragraphs 2, 3, and 4 are met once expansion of the FWTP and construction of the Howe Avenue Transmission Main have been completed.
8. If the District encounters an emergency situation that requires additional water for their system for a short duration, the City may allow the District to take water even though the system pressure at the service connection is below 30 psi. In the event of an emergency, the District may request the FWTP Operator to over ride the service connection MOV.
9. If the City encounters an emergency situation that requires additional water for their system, the City may close the service connection MOV even though the system pressure at the service connection is at or above 30 psi. In the event of an emergency, the FWTP Operator shall notify the District before closing the service connection MOV.
10. The aforementioned delivery criteria can be modified at the discretion of the City.

AGREEMENT:

Both parties agree to the procedures and conditions set forth in this document to deliver City water to the Service connection, by and between the CITY OF SACRAMENTO and the District.

Dated: _____, 2003

CITY OF SACRAMENTO

By: *Mike Yee*
Mike Yee, Plant Services Manager

DISTRICT

By: *Ed Formosa*
Ed Formosa, Assistant General Manager

Exhibit E

Water Forum Diversion Restrictions in City's American River Water Right Permits

The City of Sacramento's American River water right permits contain the following condition:

"At such time as the additional water treatment capacity to be provided by the City's Water Facility Expansion project (as described in the final Environmental Impact Report, SCH # 1998032046) is available for use by the City, the following terms shall go into effect.

In extremely dry years (i.e., years in which the State of California Department of Water Resources [DWR] annual projected unimpaired inflow into Folsom Reservoir would be 550,000 acre-feet annually [afa] or less; also referenced as the March through November projected unimpaired flow into Folsom Reservoir being less than 400,000 acre feet [af]) the City would limit its diversions of City water (i.e., water diverted pursuant to the City's water rights and entitlements) at the Fairbairn Water Treatment Plant (FWTP) to not greater than 155 cubic feet per second (cfs) and not greater than 50,000 afa. Any additional water needs would be met by diversions at other locations and/or other sources.

In all other years (i.e. when the DWR annual projected unimpaired runoff into Folsom Reservoir is greater than 550,000 af, or the March through November projected unimpaired inflow into Folsom Reservoir is greater than 400,000 af) the City may divert City water at the FWTP in accordance with the following criteria:

- (1) Diversion up to 310 cfs (200 million gallons per day [mgd]) so long as the flow bypassing the diversion at the FWTP is greater than the Hodge Flow Criteria. (The Hodge Flow Criteria refers to the following minimum Lower American River flows established by Judge Hodge in the *EDF v. EBMUD* case: October 15 through February - 2,000 cfs; March through June - 3,000 cfs; July through October 15 - 1,750 cfs.)
- (2) Whenever flow bypassing the diversion at the FWTP is less than the Hodge Flow Criteria, City of Sacramento diversions at the FWTP may not be greater than the following: January through May - 120 cfs; June through August - 155 cfs; September - 120 cfs; October through December - 100 cfs."

Exhibit F

Initial Wholesale Water Rate

**SACRAMENTO SUBURBAN WATER DISTRICT
WHOLESALE WATER RATE
FISCAL YEAR 2003-2004**

**Exhibit F
Initial Wholesale Water Rate**

**SACRAMENTO SUBURBAN WATER DISTRICT
WHOLESALE WATER - UNIT COST CALCULATION
FISCAL YEAR 2003-2004**

	FY 2004 Operating/CIP Budget: (a)	\$53,744,362	FY 2003 Water Production (AF): (b)	135,537
	BUDGET		UNIT COST ELEMENTS	
OPERATING				
LABOR				
2	Employee Services	14,928,745		\$110.15
3	Cost Reimb-Credit	(1,887,983)		(\$13.93)
4	Cost Reimb-Charge	1,897,859		\$14.00
5	CIP Reimbursement	(684,743)		(\$5.05)
6		<u>\$14,253,878</u>		<u>\$105.17</u>
OPERATIONS				
7	Utilities	2,797,513		\$20.64
8	Operations Equipment	1,434,727		\$10.59
9	Direct Operations Supplies	1,524,615		\$11.25
10	Chem & Gases	803,425		\$5.93
11		<u>\$6,560,280</u>		<u>\$48.40</u>
ADMINISTRATION/OVERHEAD				
12	Office/Admin	1,239,658		\$9.15
13	Interdepartmental Allocation/Taxes	7,143,237		\$52.70
14	Comp Liability Exp	514,849		\$3.80
15	Water Rights/Supply	207,000		\$1.53
16	Professional Services	545,860		\$4.03
17		<u>\$9,650,204</u>		<u>\$71.20</u>
18	TOTAL OPERATING	\$30,484,362		\$224.77
CAPITAL IMPROVEMENT PROGRAM				
19	CIP	\$10,140,000		\$74.81
20	Debt Service	<u>\$13,140,000</u>		<u>\$96.95</u>
21	TOTAL CIP	\$23,280,000		\$171.76
22	TOTAL OPERATING/CIP COSTS	\$53,744,362		\$396.53
EXCLUDED COSTS (SSWD only)				
23	Unrelated Energy Costs	(\$1,811,581)		(\$13.37)
24	Unrelated Distribution Costs	(\$6,307,883)		(\$46.54)
25	Unrelated Dist Overhead	(\$2,731,704)		(\$20.15)
26	Unrelated Water Rights Costs	(\$207,000)		(\$1.53)
27	Unrelated CIPs	(\$7,690,000)		(\$56.74)
28	Unrelated Debt Svc	(\$13,140,000)		(\$96.95)
29	Non-operating Revenues	<u>(\$6,891,000)</u>		<u>(\$50.84)</u>
30	TOTAL EXCLUDED COSTS	(\$38,779,169)		(\$286.11)
31	TOTAL COST	\$14,965,193	UNIT RATE	\$110.41 per AF
32b				\$0.2535 per CCF
33b			SERVICE CHARGE	\$150.00 per month

Note: Unit Rate is adjusted annually to reflect current costs.

**SACRAMENTO SUBURBAN WATER DISTRICT
WHOLESALE WATER - UNIT COST CALCULATION
FISCAL YEAR 2003-2004**

1	FY 2004 Operating/CIP Budget: (a)	\$53,744,362	FY 2003 Water Production (AF): (b)	135,537
		BUDGET	UNIT COST ELEMENTS	
	OPERATING			
	LABOR			
2	Employee Services	14,928,745		\$110.15
3	Cost Reimb-Credit	(1,887,983)		(\$13.93)
4	Cost Reimb-Charge	1,897,859		\$14.00
5	CIP Reimbursement	(684,743)		(\$5.05)
6		<u>\$14,253,878</u>		<u>\$105.17</u>
	OPERATIONS			
7	Utilities	2,797,513		\$20.64
8	Operations Equipment	1,434,727		\$10.59
9	Direct Operations Supplies	1,524,615		\$11.25
10	Chem & Gases	803,425		\$5.93
11		<u>\$6,560,280</u>		<u>\$48.40</u>
	ADMINISTRATION/OVERHEAD			
12	Office/Admin	1,239,658		\$9.15
13	Interdepartmental Allocation/Taxes	7,143,237		\$52.70
14	Comp Liability Exp	514,649		\$3.80
15	Water Rights/Supply	207,000		\$1.53
16	Professional Services	545,660		\$4.03
17		<u>\$9,650,204</u>		<u>\$71.20</u>
18	TOTAL OPERATING	\$30,464,362		\$224.77
	CAPITAL IMPROVEMENT PROGRAM			
19	CIP	\$10,140,000		\$74.81
20	Debt Service	\$13,140,000		\$96.95
21	TOTAL CIP	\$23,280,000		\$171.76
22	TOTAL OPERATING/CIP COSTS	\$53,744,362		\$396.53
	EXCLUDED COSTS (SSWD only)			
23	Unrelated Energy Costs	(\$1,811,581)		(\$13.37)
24	Unrelated Distribution Costs	(\$6,307,883)		(\$46.54)
25	Unrelated Dist Overhead	(\$2,731,704)		(\$20.15)
26	Unrelated Water Rights Costs	(\$207,000)		(\$1.53)
27	Unrelated CIPs	(\$7,690,000)		(\$56.74)
28	Unrelated Debt Svc	(\$13,140,000)		(\$96.95)
29	Non-operating Revenues	(\$6,891,000)		(\$50.84)
30	TOTAL EXCLUDED COSTS	(\$38,779,169)		(\$286.11)
31	TOTAL COST	\$14,965,193	UNIT RATE	\$110.41 per AF
32b				\$0.2535 per CCF
33b			SERVICE CHARGE	\$150.00 per month

Note: Unit Rate is adjusted annually to reflect current costs.

SACRAMENTO SUBURBAN WATER DISTRICT
ITEMIZED COST DESCRIPTION FOR WHOLESALE UNIT COST ALLOCATION

1A	FY2004 Operating/CIP Budget:	Total Operation Budget from line 11 below.
1B	FY03 Water Production	Total Water Production: Acre feet delivered.
2	Employee Services	Water related labor costs, including insurance and social security.
3	Cost Reimb-Credit	A reimbursement to the water fund -payments from other City departments for actual work done by Utilities staff.
4	Cost Reimb-Charge	A cost to the water fund - payments to other City departments for work done by non-Utilities staff.
5	CIP Reimbursement	A reimbursement to the water fund -Operations and maintenance (O&M) labor costs absorbed through work performed on a Capital Improvement Project (CIP).
6	Total Labor	Total Labor Costs - add lines 2 thru 5.
7	Utilities	Facility Energy costs - Smud
8	Operations Equipment	Major operating equipment costs - Vehicle/equipment purchase, rental, and maintenance.
9	Direct Operations Supplies	Standard O & M equipment costs - Mech parts, small tools, constr, elect, welding, paint, safety, misc, supplies, plumbing, hose fittings, asphalt, lube/oils, clothes, etc.
10	Chem & Gases	Primarily water treatment chemicals.
11	Total Operations	Total Operations - add lines 7 thru 10.
12	Office/Admin	Office supplies, postage, property insurance, data lines, janitorial, etc.
13	Interdepartmental Allocation & Taxes	Cost Plan which reflects use of Attorney, City Manager, and Facility Maintenance, etc., & voter approved general tax paid to general fund.
14	Comp Liability Exp	Comprehensive liability insurance on facilities.
15	Water Rights/Supply	Annual fee for water rights
16	Professional Services	Specialized legal fees, lobbying, educational consultants, etc.
17	Total Admin/Overhead	Total of lines 12 thru 16.
18	TOTAL OPERATING	Total Operating - add lines 6, 11 & 17.
19	CIP	Adopted Water Capital Improvement Plan
20	Debt Service	Principal and Interest on bonded debt.
21	TOTAL CIP	Total CIP - add lines 19 & 20.
22	TOTAL OPERATING/CIP COSTS	Total Operating/Cip costs - add lines 18 & 21.
23	Unrelated Energy Costs	Remove energy charges for Wells and Sac River Water Treatment Plant.
24	Unrelated Distribution Costs	Remove operating distribution costs.
25	Unrelated Dist Overhead	Remove Admin / overhead related to distribution.
26	Unrelated Water Rights Costs	Remove Water Rights Costs
27	Unrelated CIPs	Remove CIPs associated with Distribution System: Main Replacements, Water Meter Retrofit, Automatic Meter Reading, Fire Hydrant Repl, etc. See Water Fund CIP Listing.
28	Unrelated Debt Svc	Remove debt related to financing all all facilities.
29	Non-operating Revenues	Remove non-user fee revenues: interest on investments, revenues from other agencies, water tap sales, other departmental services, misc revenues.
30	TOTAL EXCLUDED COSTS	Total Excluded Costs - add lines 23 thru 29.
31a	TOTAL COST	Total Cost - add lines 22 & 30.
31b	UNIT RATE PER AF	Unit Cost: Total cost (line 31a) divided by Water production (AF, line 1b)
32b	UNIT RATE PER CCF	Unit Rate per hundred cubic feet.
33b	SERVICE CHARGE	Monthly basic service charge for 12" meter size.

2003/2004 WATER FUND CIP

<u>CIP#</u>	<u>CIP PROJECT NAME</u>	<u>TYPE</u>	<u>FY 03/04 CIP</u>	<u>UNRELATED</u>	<u>RELATED</u>
ZB48	WATER METER RETORFIT	G	250,000.00	250,000.00	
ZG21	AUTOMATED METER READING	G	200,000.00	200,000.00	
ZD36	WATER SUPPLY MASTER PLAN	G	100,000.00		100,000.00
ZE36	RISK MANAGEMENT PREVENTION	G	100,000.00		100,000.00
ZG06	MAINTENANCE MANAGEMENT	G	50,000.00		50,000.00
ZG86	UTILITIES ADA IMPROVEMENT	G	5,000.00		5,000.00
ZI96	WATER FACILITIES SECURITY	G	100,000.00		100,000.00
ZJ21	FIELD SERVICE BLD INTERIOR	G	400,000.00		400,000.00
	SUB-TOTAL GENERAL CIP		\$1,205,000.00	450,000.00	\$755,000.00
ZD51	FIRE HYDRANT REPLACEMENT	H	\$90,000.00	\$90,000.00	\$0.00
ZJ36	ELKHORN 3MG RESERVOIR	S	\$1,750,000.00	\$1,750,000.00	\$0.00
ZB71	WATER PROD MISC IMPV	T	100,000.00		100,000.00
ZE31	SACR RIVER SOURCE WATER QUALITY	T	70,000.00		70,000.00
ZF61	AMER RIVER SOURCE WATER QUALITY	T	65,000.00		65,000.00
ZH41	DRINKING WATER QUALITY	T	60,000.00		60,000.00
ZJ56	SRWTP PROP ACQ	T	400,000.00		400,000.00
	SUB-TOTAL TREATMENT CIP		\$695,000.00	\$0.00	\$695,000.00
ZJ11	RESIDENTIAL WATER METERS	D	250,000.00	250,000.00	
X001	ECONOMIC DEVELOP PGM	D	400,000.00	400,000.00	
ZB31	WATER SYSTEM MISC IMPROVEMENT	D	250,000.00	250,000.00	
ZE46	BASE CIP RESERVE-WATER	D	400,000.00	400,000.00	
ZF26	BACKFLOW PREVENTION	D	250,000.00	250,000.00	
ZI71	DEEBLE/28TH STREET MAIN REPL	D	850,000.00	850,000.00	
ZJ26	WOODLAKE MAIN REPL, PH2	D	850,000.00	850,000.00	
ZJ31	FRUITRIDGE MNR STL R	D	850,000.00	850,000.00	
ZJ41	POWER INN T-MAIN RELOCATE	D	100,000.00	100,000.00	
ZJ46	JIBBOOM ST REHAB/PARK	D	250,000.00	250,000.00	
ZJ66	WOODLAKE MN RPL PH3	D	850,000.00	850,000.00	
	SUB-TOTAL DISTRIBUTION CIP		\$5,300,000.00	\$5,300,000.00	\$0.00
ZJ51	H ST RV ST MN REPL 5-10 ST	TM	\$1,000,000.00	0.00	\$1,000,000.00
ZD26	WELL SYSTEM MISC IMPV	W	\$100,000.00	100,000.00	\$0.00
	TOTAL CIP		\$10,140,000.00	\$7,690,000.00	\$2,450,000.00

LEGEND	
D	DISTRIBUTION
G	GENERAL
H	HYDRANT
P	PUMPING
S	STORAGE
T	TREATMENT
TM	TRANSMISSION
W	WELLS

Exhibit G

Initial Connection Fee

**SACRAMENTO SUBURBAN WATER DISTRICT
WHOLESALE WATER - INITIAL CONNECTION FEE**

FISCAL YEAR 2003-2004

Exhibit G
Connection Fee

**SACRAMENTO SUBURBAN WATER DISTRICT
WHOLESALE WATER - CONNECTION FEE**

DESCRIPTION	NET REPL COST 6/30/2004	CAPACITY mgd	WHOLESALE UNIT COST FY 03/04
T & D	143,250,772	310	n/a
Hydrants	988,892	310	n/a
Storage	25,837,126	310	n/a
Wells	6,919,872	310	n/a
Treatment	190,143,487	310	\$ 613,366
Pumping	23,688,189	310	78,414
General	14,371,753	310	48,360
Total	\$405,180,092	310	\$ 738,140

UNIT COST	MGD	TOTAL FEE
\$738,140	10	\$7,381,140

WHOLESALE CAPACITY CHARGE CALCULATION - 09/25/02

Extrapolation of figures developed from the
Water Utility System Development Fee Study
Completed in October, 1998 by Brown & Caldwell

SACRAMENTO SUBURBAN WATER DISTRICT

DESCRIPTION	(a) REPL COST 6/30/2003	(b) CAPITAL ADDITIONS FY 03/04	(c) INFLATION	REPL COST 6/30/2004	OUTSTDNG DEBT FY 03/04	NET REPL COST 6/30/2004	(d) CAPACITY mgd	WHOLESALE UNIT COST FY 03/04
1 T & D	132,870,167	6,300,000	4,080,605	143,250,772		143,250,772		
2 Hydrants	851,983	90,000	26,909	968,892		968,892		
3 Storage	23,360,074	1,750,000	727,052	25,837,126		25,837,126		
4 Wells	6,619,779	100,000	200,093	6,919,872		6,919,872		
5 Treatment	271,314,574	695,000	8,149,862	280,159,436	90,015,949	190,143,487	310	613,366
6 Pumping	56,596,428	-	1,697,893	58,294,321	34,606,132	23,688,189	310	76,414
7 General	13,209,153	755,000	407,600	14,371,753		14,371,753	310	46,360
Total	504,822,158	9,690,000	15,290,015	529,802,173	124,622,081	405,180,092	(e)	736,140

(a) Repl Cost = Water System value net of contributions and assessments.

(b) Repl cost inflated by 3% per year.

(c) Capital additions are inflated one half years interest in year they are added.

(d) 310 capacity mgd includes 90 mgd EAF existing, 110 mgd EAF new expansion & 110 mgd Sac existing.

(e) Excludes Distribution, Transmission, Hydrants, Storage & Wells.

Wholesale Capacity Calculation Description

- 1 T & D Transmission & Distribution.
- 2 Hydrants Fire Hydrants.
- 3 Storage Storage reservoirs plus booster pump stations.
- 4 Wells Potable water wells only.
- 5 Treatment Two water treatment plants: EAF & Sacramento River Water Treatment Plants.
- 6 Pumping Intakes at EAFWTP & SRWTP.
- 7 General Includes misc. capital improvement projects, ie. Water Supply Master Plan, Risk Mgmt Prevention, Maint. Management, Utilities ADA Improvement, Water Facilities Security.

BILL OF SALE
Between the City of Sacramento and Sacramento Suburban Water District
for Firm Capacity in City Water Facilities

For good and valuable consideration, receipt of which is hereby acknowledged, the City of Sacramento, a charter city ("City"), does hereby agree to transfer and convey to the Sacramento Suburban Water District, a County Water District formed under state law ("District"), a right to the firm capacity in the facilities that will be used by the City to divert and treat up to twenty million gallons of water per day for delivery to and use in the District (the "Facilities"), as provided in the "Wholesale Water Supply Agreement Between the City of Sacramento and Sacramento Suburban Water District" dated January 20, 2003, and identified as City Agreement No. 2004-013 (the "Agreement"). This Bill of Sale shall become effective upon the City's completion and commencement of operation of the expanded E.A. Fairbairn Water Treatment Plant and Transmission Main Improvements identified in the Agreement, and, upon taking effect, shall be contingent upon the District's continuing compliance with the terms of the Agreement, including the payment of all Connection Fees and other charges required by the Agreement. The City of Sacramento warrants that the Facilities are free and clear of any encumbrances that could affect the availability of firm capacity in the Facilities to divert and treat up to twenty million gallons of water per day for delivery to and use in the District, as provided in the Agreement.

The District acknowledges and agrees that, except as provided herein, the City makes no warranty or representation as to the condition of the Facilities, and that the City will construct, operate, maintain, repair and replace the Facilities in the City's sole discretion and authority, subject to the terms of the Agreement. The District will defend, indemnify and hold harmless the City, its officers and employees against and from any and all liabilities arising from the exercise of the right conveyed herein to the District. This Bill of Sale shall not be construed to amend or alter any provision of the Agreement, and in the event of any conflict between the Agreement and this Bill of Sale, the provisions of the Agreement shall govern. The provisions of this Bill of Sale will be binding on the District's successors and assigns.

Executed this 10th day of ~~August~~, 2004.
September

CITY OF SACRAMENTO

By: GAReents

By: Gary A. Reents, Director of Utilities
For: Robert P. Thomas, City Manager

Attest:

Approved as to Form:

By: Joe Adams
City Attorney

By: Shirley Concolino
City Clerk

Accepted by Sacramento Suburban Water District:

By: Robert Thomas
General Manager

CITY MANAGER
AGREEMENT NO. 2004-0758

CITY MANAGER 2004-0758
AGREEMENT NO. _____