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WATER PRODUCTION AND DELIVERY AGREEMENT

THIS WATER PRODUCTION AND DELIVERY AGREEMENT ("Agreement") is entered into on the latest of the dates shown opposite the signatures of the Parties to this Agreement, by and between LA HABRA HEIGHTS COUNTY WATER DISTRICT ("LHHCWD"), a county water district formed and existing under Division 12 of the California Water Code, ROWLAND WATER DISTRICT, a county water district formed and existing under Division 12 of the California Water Code ("Rowland"), and ORCHARD DALE COUNTY WATER DISTRICT, a county water district formed and existing under Division 12 of the California Water Code ("Orchard Dale"). LHHCWD, Rowland and Orchard Dale are referred to together as the "Parties," and individually as a "Party." This Agreement is based upon the recitals stated below.

RECITALS

WHEREAS, Rowland currently receives 100% of its potable water supply from Metropolitan Water District of Southern California (MWD) through Three Valleys Municipal Water District ; and,

WHEREAS, Rowland is seeking to develop alternative supplies of water in order to prepare for planned interruptions in water deliveries from MWD, as well as to provide additional sources of water to Rowland's service area; and,

WHEREAS, Rowland has acquired pumping rights in the Central Groundwater Basin of Los Angeles County ("Central Basin") as an alternative source of water, but currently has no facilities to produce water in the Central Basin or convey water from the Central Basin to Rowland's service area; and,

WHEREAS, LHHCWD has facilities to produce water from the Central Basin, and with the construction of the additional transmission facilities described in Section 5 of the Agreement would be able to assist Rowland to produce, pursuant to Rowland's water rights, and deliver water to Rowland's water distribution system; and

WHEREAS, LHHCWD and Orchard Dale are parties to an agreement dated September 6, 1957, and amendments thereto, (the "Orchard Dale Agreement") under

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which Orchard Dale has certain rights and obligations in groundwater produced by LHHCW and the facilities used to transmit and store such water; and,

WHEREAS, LHHCW and Orchard Dale have excess pumping, transmission and storage capacity in the facilities described in the Orchard Dale Agreement, and Orchard Dale agrees that LHHCW may use this excess capacity to pump and deliver water to Rowland pursuant to Rowland's water rights, subject to the terms and conditions of this Agreement.

WHEREAS, Rowland acknowledges it has reviewed and understands the obligations of LHHCW and Orchard Dale as set forth in the Orchard Dale Agreement.

WHEREAS, Rowland is willing and able to act as lead agency for the purpose of complying with the California Environmental Quality Act in connection with any environmental review that may be required in connection with this Agreement and the transactions contemplated hereunder.

AGREEMENTS

In consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and adequacy of which are acknowledged by each Party, the Parties agree as follows:

1. Production and Conveyance

1.1 Subject to the terms hereof, LHHCW will convey to Rowland, groundwater from the Central Basin pursuant to water rights held by Rowland, and deliver such groundwater as set forth in Section 1.2.

1.2 LHHCW shall deliver water to Rowland when the following conditions exist:

(a) The water stored in LHHCW's Reservoir 9 shall be at a level of not less than fifteen (15) feet; and the water stored in LHHCW's La Mirada Reservoir shall be at a level of not less than twenty (20) feet; and the water stored in LHHCW's Lyons Reservoir shall be at a level of not less than twenty (20) feet.. If the total water stored in any reservoir falls below the specified level, then deliveries to Rowland shall be suspended until such time as the level in each of the reservoirs that was below the level specified herein reaches four (4)

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at or above that specified level LHCWD shall have the sole authority and discretion to determine when the water is below the levels specified herein.

(b) Subject to the provisions in Section 1.2(a), Rowland shall be entitled to draw a maximum flow from Reservoir 9 of four cubic feet per second (4 cfs) or 1,800 gallons per minute (gpm). LHCWD makes no guarantee regarding the pressures or flows of water delivered to Rowland hereunder.

(c.) Rowland acknowledges that LHCWD and Orchard Dale have first priority to the excess pumping, transmission, and storage capacity in the facilities described in the Orchard Dale Agreement, and further acknowledge that it shall be within LHCWD's sole discretion to determine when there is excess capacity.

1.3 In the event LHCWD is not able to produce groundwater in sufficient quantity to make deliveries to Rowland of water produced under Rowland's pumping rights, then upon written request by Rowland, LHCWD will take delivery of imported water from Metropolitan Water District of Southern California (Metropolitan) in the amount specified in the written request and deliver the same quantity to Rowland through LHCWD's system at a maximum flow of four (4) cfs or 1,800 gpm. LHCWD shall not be obligated to wheel Metropolitan water to Rowland if to do so would result in the reservoir levels specified in 1.2 (a) dropping below minimum levels. LHCWD will notify Rowland prior to purchasing Metropolitan water on Rowland's behalf whether the reservoir levels will permit wheeling of water to Rowland. LHCWD shall determine when the water is below the level specified in Section 1.2(a).

2. Term

This Agreement shall have an initial term of fifteen (15) years from the Effective Date, terminating on December 31, 2026. After the expiration of the initial term, unless terminated by either LHCWD or Rowland in accordance with Paragraph 3, below, the Agreement shall renew for subsequent five (5) year periods.

3. Termination

After expiration of the initial term under Paragraph 2, above, this Agreement may be terminated by either Party by giving written notice to the other at least sixty (60) days prior to the expiration of the then existing term. Notwithstanding any provision of Paragraph 2 or this Paragraph 3 to the contrary, either Party may terminate this

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Agreement in the event the other Party commits a breach of any material term of this Agreement, which breach remains uncured for at least sixty (60) calendar days after the Party desiring to terminate the Agreement provides written notice to the breaching Party of such breach.

4 Effective Date

The Effective Date of this Agreement shall be _____.

5 Facilities

5.1

(a) Water produced and conveyed pursuant to this Agreement shall be delivered to Rowland through facilities (the "Delivery Facilities") to be constructed which are necessary to connect LHCWD's production facilities with Rowland's distribution system. The Delivery Facilities shall consist of a twelve-inch pipeline in Fullerton Road, running from LHCWD's facilities in the intersection of East Road and Fullerton Road in La Habra Heights to a point of connection with Rowland's facilities at Fullerton Road and Harbor Boulevard in Rowland Heights, a twelve-inch meter to measure the quantity of water flowing into Rowland's distribution system, and all necessary valves and appurtenances.

(b) Rowland shall bear all costs involved in designing and constructing the Delivery Facilities (including, but not limited to, engineering costs, permitting costs, labor and material costs and inspection costs) and in connection with any legally required environmental review. The meter shall be owned, operated, and maintained by Rowland. The stretch of the twelve-inch pipeline that runs between Rowland's facilities at Fullerton Road and Harbor Boulevard and the boundary between Rowland and LHCWD shall be owned, operated and maintained by Rowland. The stretch of the twelve-inch pipeline that runs between the boundary and the connection point with the LHCWD facilities shall be owned, operated, and maintained by LHCWD. LHCWD shall have the right to review and approve the design of the Delivery Facilities.

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5.2 Rowland shall, when designing and constructing the Delivery Facilities, construct and install seven (7) fire hydrants and four (4) service connections to replace existing service connections to properties currently served by LHCWD.

5.3 LHCWD and Rowland shall determine the location of the 7 fire hydrants. The following are the 4 service connections:

- 2360 Fullerton Road – 1" service.
- 2400 Fullerton road – 1" service.
- Across from 2360 Fullerton Road – 1-1/2" service.

(Serves property of the Puente Hills Landfill Native Habitat Preservation Authority.)

- LHCWD's Sample Station – 3/4" service.

(Presently located at 2360 Fullerton Road.)

Rowland shall pay for all the costs associated with the construction and installation of fire hydrants and service connections, including design, construction, materials, and labor.

5.4 After construction of the Delivery Facilities, LHCWD shall have the right to construct without Rowland's consent and at LHCWD's sole cost up to seven (7) additional service connections from the Delivery Facilities to existing services in LHCWD.

5.5 Rowland shall be entitled to ninety percent (90%) of the capacity of the Delivery Facilities at all times. LHCWD shall not make any connection to the Delivery Facilities to serve properties or developments not currently served by LHCWD or expand the area served by LHCWD.

5.6 Rowland and LHCWD shall each be responsible for the maintenance and repair of that portion of the Delivery Facilities, (as defined in Section 5.1) that is within that Party's boundaries. In the event that there is damage to, or a failure of, the Delivery Facilities within LHCWD's boundaries which interferes with delivery of water to Rowland, and LHCWD is not able to, or fails to cause repairs or replacement to be made within a reasonable time, Rowland may elect to cause the repairs or replacement to be made. LHCWD agrees to reimburse Rowland for the cost of such repairs or replacement, either by payment directly to Rowland, or by a credit

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against wheeling charges for water delivered to Rowland pursuant to Section 8, until fully repaid.

6 Water Quality Warranty

To LHCWD best current, actual knowledge, the water to be supplied under this Agreement meets all applicable federal and state water quality standards. Notwithstanding the preceding sentence, LHCWD makes no representation or warranty regarding the quality of any water to be provided to Rowland hereunder. LHCWD makes no guarantee regarding the pressures or flows of water delivered to Rowland hereunder.

7 Measurement of Amount of Water Provided; Disputes.

The amount of water provided through the connection shall be measured by the meter to be installed pursuant to Paragraph 5.1, above. LHCWD shall be responsible for reading the meter. LHCWD shall bill Rowland on a monthly basis for the water delivered, as reflected by the reading of that meter. If within ten (10) days after its receipt of the bill, Rowland disputes the accuracy of the bill with respect to the quantities set forth thereon, the Parties shall meet and confer to determine the accuracy of the bill. The Parties may thereafter test the meter to determine the accuracy of the meter. If the quantity of water recorded by the meter measures above 102 percent, or below 98 percent, of the actual water passing through the meter, then the bill shall be adjusted accordingly and the Parties shall equally divide all costs incurred in testing the meter. If the meter is found to be accurate, i.e., if the quantity of water recorded by the meter does not measure above 102 percent, or below 98 percent, of the actual water passing through the meter, then the Party challenging the accuracy of the meter shall bear all costs incurred in testing the meter. If Rowland does not dispute the bill within ten (10) days of receipt, the quantities set forth on the bill are deemed correct and Rowland waives any right to later dispute that bill. At Rowland's expense, the meter will be tested for accuracy and calibrated, if necessary, on an annual basis.

8 Price Billing.

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8.1. Rowland shall pay LHCWD for producing and/or transporting water through LHCWD's system, as provided hereunder at the following rates per acre-foot, depending upon the source of the water.

(a) For water produced by LHCWD pursuant to rights which Rowland has Purchased or Leased in the Central Basin. The rate shall be composed of the following:

- (1) LHCWD's direct cost of production (i.e., energy costs associated with pumping).
- (2) The energy costs associated with the delivery of the water to the delivery point. (The energy costs associated with lifting the water to LHCWD's Reservoir 9.)
- (3) Any other variable cost directly attributable to the production of water for Rowland.
- (4) An additional per acre-foot charge that is calculated as set forth in subsection (c) below. This shall be the charge for LHCWD to wheel water to Rowland through its facilities ("wheeling charge").
- (5) In addition, Rowland shall pay TEN DOLLARS (\$10) per acre-foot to Orchard Dale for all water delivered by LHCWD to Rowland from the Central Basin.

(b) For water transported through the LHCWD System pursuant to a specific written request from Rowland to LHCWD to purchase and deliver water from Metropolitan through the LHCWD system, the rate shall be composed of the following:

- (1) The price paid to Metropolitan by LHCWD for the water.
- (2) The energy costs associated with lifting the water from the point of delivery from Metropolitan's transmission line at LHCWD's Plant 2 to the delivery point.
- (3) The wheeling charge that is calculated as set forth in subsection (c) below.

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- (4) No payment shall be due from Rowland to Orchard Dale for the delivery of water from Metropolitan by LHCWD to Rowland.
- (c) **Method of Calculating Wheeling Charge.**
- (1) Until Rowland has amortized all of the costs incurred in design construction of the Delivery Facilities, and associated costs including environmental compliance and permitting, as described above in Section 5.1(b) and 5.2, ("Rowland's Capital Costs) the wheeling charge shall be FIFTY DOLLARS (\$50) per acre-foot.
 - (2) Rowland shall amortize Rowland's Capital Costs by calculating the cumulative cost savings to Rowland from taking water from the Central Basin under this Agreement, versus what the same quantity of water would cost if purchased from Metropolitan, and charging it against Rowland's Capital Costs. After Rowland has fully amortized Rowland's Capital Costs, the wheeling charge shall be SEVENTY-FIVE DOLLARS (\$75) per acre-foot plus a share of the cost savings that Rowland realizes as a result of LHCWD pumping and delivering water to Rowland from the Central Basin instead of Rowland purchasing water from Metropolitan. The LHCWD share shall be calculated as set forth in subsection (d) below.
 - (3) Rowland shall have amortized Rowland's Capital Costs when the accumulated savings from obtaining Central Basin water as calculated in subsection (d) below equals Rowland's Capital Costs. Annually, Rowland shall prepare and submit to LHCWD for its review and approval a calculation of the accumulated amortization of Rowland's Capital Costs.
- (d) **Method of Calculating LHCWD's Share of Cost Savings.**
LHCWD's share of cost savings shall be calculated as follows:

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- (1) For every year after Rowland has fully amortized Rowland's Capital Costs, the wheeling charge for each acre-foot of water pumped and delivered by LHCWD to Rowland from the Central Basin shall include a share of the cost savings, if any, that Rowland realizes from taking water from the Central Basin as calculated in this subsection.

If amortization is achieved before the end of a year, then for the water pumped and delivered between when amortization is achieved and the end of the year, the wheeling charge to LHCWD will include a share of the cost savings as calculated in this subsection.

- (2) Rowland's cost savings after fully amortization of Rowland's Capital Costs shall be calculated on a "per acre-foot basis" as the difference between the cost to Rowland of water from Metropolitan, and the cost to Rowland of water from the Central Basin wells by LHCWD. The cost of water from the Central Basin is defined as the total of all of the following:
 - (i) The payments made to LHCWD and Orchard Dale pursuant to Section 8.1 subsections (a) (1), (2), (3) and (5), (i.e. all payments made by Rowland except for LHCWD's wheeling charge).
 - (ii) Cost to Rowland of obtaining water rights including charges from the Water Replenishment District and the lease value of water rights acquired or leased by Rowland in the Central Basin as calculated in accordance with subsection (e) below.
- (3) The cost to Rowland of obtaining water from Metropolitan per acre-foot, shall be determined as follows.

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The cost to Rowland shall be the purchase price to obtain water from Metropolitan (section 8(b) above) blended with the cost to obtain water from the Central Basin (section 8(d)(2) above). Rowland will for the applicable time period add the total cost to purchase water from Metropolitan to the total cost to obtain water from the Central Basin, and divide that amount by the total amount of acre-feet of water acquired during that time period resulting in the blended cost of acquiring water for the time period. Rowland's calculation of the blended cost shall be subject to LHCWD's review and approval.

- (4) The cost savings per acre-foot is the difference in the cost per acre-foot to obtain water from Metropolitan, as calculated pursuant to subsection (d)(3), less the cost per acre-foot to move water from the Central Basin, as calculated pursuant to subsection (d)(2).
- (5) The total cost savings per billing period (on a monthly basis) by multiplying the cost savings per acre-foot as calculated under subsection (d)(4) by the amount of acre-feet of water produced from Central Basin and delivered to Rowland for that billing period.
- (6) Subtract from the total cost savings per billing period, as determined pursuant to subsection (d)(5), \$75 for each acre-foot produced from Central Basin and delivered to Rowland for that billing period (the "net cost savings"). The net cost savings will be divided between LHCWD and Rowland. (For example, if the time period being used is one (1) year and LHCWD produces 2,000 acre-feet of water for Rowland, then \$150,000 ($\$75 \times 2,000$ acre-feet) would be subtracted from the total cost savings under subsection (d) (5) before LHCWD is entitled to share in the cost savings.)

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- (7) Determine the ratio of water usage by LHCWD and Rowland to total water usage. (For example, if the total amount of water pumped by LHCWD from the Central Basin for its use and for Rowland's use is 4,800 acre-feet in a year and LHCWD uses 2,800 acre-feet and Rowland uses 2,000 acre-feet, then LHCWD's share would be 58% and Rowland's share would be 42%.)
- (8) LHCWD's share of cost savings for a billing period is the amount determined in subsection (d)(6) to be shared between LHCWD and Rowland multiplied by LHCWD's share of the total amount of water pumped from Central Basin as determined in subsection (d)(7).
- (9) Attached to illustrate how LHCWD's share of cost savings will be calculated are the following exhibits.
 - (i) Exhibit "A-1", which illustrates how the cost to pump and deliver water from Central Basin to Rowland will be calculated and compared to the cost for Rowland to obtain water from Metropolitan. [This would be the exhibit that has been used in negotiations with some changes.]
 - (ii) Exhibit "A-2", which illustrates how the cost savings from Rowland obtaining Central Basin water would be shared between LHCWD and Rowland. [This is the sheet that was used in negotiations with some clarifications.]
- (e) The calculation of the wheeling charge shall be done in accordance with the following.
 - (1) The amount used for the cost of water rights in calculating LHCWD's share of the cost savings shall be the lesser of \$150 per acre-foot or the actual cost to Rowland of leasing water rights. (For example, if the actual cost of leasing water

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rights is \$160 per acre-foot, the amount used in the calculation would be \$150 per acre-foot, and if the actual cost is \$80 per acre-foot, the amount used in the calculation would be \$80 per acre-foot.)

- (2) To the extent that Rowland purchases water rights instead of leases water rights, \$150 per acre-foot will be used in the calculation as the lease value of the water rights, to determine LHCWD's share of the cost savings until the amount of the purchase price for the water rights is amortized after which time the lease value of owned water rights used in the calculation will be zero.
- (3) If for a billing period Rowland leases and purchases water rights, then in calculating the cost of water rights for that billing period Rowland shall first use purchased water rights and then use the leased water rights.

8.2

(a) The amounts billed under Paragraph 8.1 shall be pro-rated for any portion of an acre-foot delivered. LHCWD shall bill Rowland on a monthly basis for the water provided hereunder. Payment of such invoices shall be due immediately upon receipt of the invoice and delinquent if not received by LHCWD within thirty (30) days from the date of mailing of the invoice. The penalty for delinquent payment of any invoice is five percent (5%) of the unpaid balance on the account.

(b) Each month, LHCWD shall provide ODWD with the quantity of water provided to Rowland that is water for which Rowland has purchased or leased the right to produce such water from the Central Basin and is therefore subject to the TEN DOLLAR (\$10) per acre-foot charge to be paid by Rowland to ODWD pursuant to Subparagraph 8.1(a)(5). ODWD shall bill Rowland on a monthly basis for all water that is subject to that TEN DOLLAR (\$10) per acre-foot charge. Payment of such invoices shall be due immediately upon receipt of the invoice and delinquent if not received by ODWD

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within thirty (30) days from the date of mailing of the invoice. The penalty for delinquent payment of any invoice is five percent (5%) of the unpaid balance on the account.

8.3 The wheeling charge is intended to compensate LHCWD for all indirect and incidental costs associated with the production and delivery of water to Rowland including maintenance and repair of LHCWD's pipelines and reservoirs, as well as a reasonable return to LHCWD for the use of its surplus system capacity. No additional payment will be due from Rowland to LHCWD for such costs.

8.4 LHCWD's General Manager shall monitor the use and cost of electricity to deliver water from Central Basin to Rowland versus the cost and use of electricity to refill the LHCWD reservoirs to replace water delivered to Rowland. After two years from the effective date of this Agreement, LHCWD, in combination with Rowland, shall prepare an analysis of the cost to deliver water to Rowland and the cost to refill the LHCWD reservoirs and if it is determined that the cost of electricity to refill the LHCWD reservoirs is more than the cost of electricity to deliver water to Rowland, Rowland shall pay LHCWD the amount of that difference.

8.5 Rowland shall have the right to audit LHCWD's allocation of energy costs for production and delivery of water hereunder, and LHCWD shall provide documentation of its costs to Rowland upon request for such purposes.

9 No Damages

If LHCWD is unable for reasons beyond its control, to deliver water to Rowland, including delivering the amount of water requested by Rowland or delivering the water in the manner specified herein, LHCWD and ODWD, including their respective Board members, officers, employees, consultants, agents, attorneys, and representatives shall have no liability to Rowland or anyone else for any damages, including consequential damages, incidental damages, special damages, or any other type of damages, including the costs incurred in designing and constructing the Delivery Facilities, arising from or relating to the delivery, non-delivery or use of water..

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10 Conditions Precedent

The obligations of LHCWD to produce and deliver water and the resulting obligation of Rowland to accept and pay for deliveries are conditioned upon the satisfaction or waiver of the following conditions precedent:

(a) Rowland shall acquire, lease or otherwise obtain pumping rights within the Central Basin.

(b) To the extent required by law, full and complete compliance by Rowland, at Rowland's expense, with the requirements of the California Environmental Quality Act ("CEQA").

11 Effect of Failure of Condition

In the event both of the conditions in Paragraph 10 are not satisfied, then LHCWD shall be under no obligation to produce or deliver water to Rowland in accordance with Paragraph 1, above.

12. Maintenance & Repair of Wells and Pumps

Rowland shall be responsible for a percentage of the actual cost of repair and maintenance of the facilities described below which are used to produce and deliver water to Rowland equal to the quantity of groundwater produced and delivered to Rowland from Rowland's pumping rights as a percentage of all water produced by those facilities for all parties, including Orchard Dale, on an annual basis. These facilities are the following:

a. LHCWD and Orchard Dale Joint Facilities.

Well No. 8 – 10528 Dunlop Crossing
(space 65 on South Hills Road), Whittier

Well No. 9 – 10528 Dunlop Crossing
(space 139 on Indian Wells Drive), Whittier

Well Nos. 10 and 11 – 7412 Norwalk Boulevard,
Whittier."

La Mirada Conduit - 28" Transmission Main

La Mirada Reservoir – 10652 Mills Avenue, Whittier

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b. LHCWD Facilities.

La Mirada Plant and La Mirada Treatment Facility –
13663 Telegraph Road, Whittier

Plant No. 1 – 15703 Whittier Boulevard, Whittier

Plant No. 6 – 2000 Coban Road, La Habra Heights

Maintenance and repair of static facilities, such as reservoirs and pipelines, that are solely owned by LHCWD are included in the wheeling charge under Section 8.

13 Representations and Warranties

(a) Representations and Warranties of Rowland. Rowland makes the following representations, warranties and covenants to LHCWD:

(i) Organization. Rowland is a county water district formed under Division 12 of the California Water Code.

(ii) Power and Authority to Execute and Perform this Agreement. Rowland has the right, power and authority to enter into this Agreement and to perform its obligations hereunder, and the person(s) executing this Agreement on behalf of Rowland has (have) the right, power and authority to do so.

(iii) Power and Authority to Produce and Transfer Water

Rowland has the right, power and authority to transfer water from the Central Basin to its service area.

(iv) Enforceability. This Agreement constitutes a legal, valid and binding obligation on Rowland, enforceable against Rowland in accordance with its terms.

(b) Representations or Warranties of LHCWD. LHCWD makes the following representations, warranties and covenants to Rowland:

(i) Organization. La Habra Heights County Water District is a county water district formed under Division 12 of the California Water Code.

(ii) Power and Authority to Execute and Perform this Agreement. LHCWD has the right, power and authority under this

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Agreement to perform its obligations hereunder, and the person(s) executing this Agreement on behalf of LHCWD has (have) the right, power and authority to do so.

(iii) Enforceability. This Agreement constitutes a legal, valid and binding obligation of LHCWD, enforceable against LHCWD in accordance with its terms unless LHCWD is unable for any reason, outside of LHCWD's control, to deliver water to Rowland in the amount or in the manner specified herein.

14 Cooperation

LHCWD, Orchard Dale, and Rowland agree to cooperate with each other in implementing the terms of this Agreement and achieving its objectives. The Parties also agree Rowland shall bear the cost of defending any litigation brought by any third party to challenge or prevent the implementation of this Agreement.

15. OPERATING PROTOCOLS

Within twelve (12) months of the effective date, LHCWD and Rowland will jointly develop tentative written procedures and protocols for implementing this Agreement. The purpose of the procedures and protocols is to provide a guide for each agency to operate in the most efficient and effective manner during water transfer operations. Such tentative procedures and protocols will be reviewed within twenty-four (24) months of the effective date. Such procedures and protocols will include operating procedures based on experience gained in operating under this Agreement. At some point after 12 months from the effective date and before 30 months from the effective date, LHCWD and Rowland shall prepare a written document containing the procedures and protocols which, upon agreement by both Parties, will govern water transfers under this Agreement for the term of the Agreement.

INDEMNITY

16.1 Force Majeure

LHHCWD shall not be liable to Rowland for any loss or damage to person or property caused by theft, fire, act of God, acts of a public enemy, riot, strike, insurrection, war, court order, requisition or order of governmental body or authority, or other causes, or any damage or inconvenience which may arise from or relate to use of the water after delivered by LHHCWD.

16.2 Rowland's Indemnity

Rowland shall save, indemnify, hold harmless and defend (with counsel chosen by LHHCWD), LHHCWD and Orchard Dale, and their successors, assigns and affiliates, and their respective officers, directors, controlling persons (if any), employees, attorneys, agents, consultants and shareholders (the "LHHCWD/Orchard Dale Indemnities") from, against and in respect of any and all claims, suits, actions, proceedings (formal and informal), investigations, judgments, deficiencies, damages, settlements, liabilities and legal and other expenses (including legal fees and expenses) as and when incurred by any of the LHHCWD/Orchard Dale Indemnitees, arising out of or based upon any breach or alleged breach of any express representation, warranty, covenant, or agreement of Rowland contained in this Agreement, any loss or damage or alleged loss or damage to person or property related in any way to the water delivered by LHHCWD pursuant to this Agreement after delivery thereof, or from any challenge alleging LHHCWD or Orchard Dale lack the legal authority to enter into or execute this Agreement..

Rowland will indemnify and hold LHHCWD and Orchard Dale harmless against all cost, damage and or injury to LHHCWD's and Orchard Dale's facilities and system which is directly or indirectly caused by a malfunction in Rowland's system.

16.3 LHHCWD's and ODWD's Indemnity

LHHCWD shall save, indemnify, hold harmless and defend (with counsel chosen by Rowland), Rowland, its successors, assigns and affiliates, and their respective officers, council members, controlling persons (if any), employees, attorneys, agents, and consultants (the "Rowland Indemnitees") from, against and in respect of any and all claims, suits, actions, proceedings (formal and informal), investigations,

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judgments, deficiencies, damages, settlements, liabilities and legal and other expenses (including legal fees and expenses) as and when incurred by any of the Rowland Indemnitees, arising out of or based upon any breach or alleged breach of any express representation, warranty, covenant, or agreement of LHCWD contained in this Agreement, or any loss or damage or alleged loss or damage to person or property related in any way to the water delivered by LHCWD pursuant to this Agreement prior to delivery thereof.

ODWD shall save, indemnify, hold harmless and defend (with counsel chosen by Rowland), the Rowland Indemnitees from, against and in respect of any and all claims, suits, actions, proceedings (formal and informal), investigations, judgments, deficiencies, damages, settlements, liabilities and legal and other expenses (including legal fees and expenses) as and when incurred by any of the Rowland Indemnitees, arising out of or based upon any breach or alleged breach of any express representation, warranty, covenant, or agreement of ODWD contained in this Agreement.

16.4 Defense of Claims

No right to indemnification under this paragraph shall be available unless the Party seeking indemnification (the "Indemnified Party") shall have given to the Party obligated to provide indemnification (the "Indemnitor") to such Indemnified Party a notice (a "Claim Notice") describing in reasonable detail the facts giving rise to any claim for indemnification hereunder promptly after receipt of knowledge of the facts upon which such claim is based. Any delay or failure to so notify the Indemnitor shall relieve the Indemnitor of its obligations hereunder only to the extent, if at all, that it is prejudiced by reason of such delay or failure. Upon receipt by the Indemnitor of a Claim Notice from an Indemnified Party with respect to a claim of a third party, such Indemnitor may assume the defense thereof with counsel chosen by the Indemnified Party, and the Indemnified Party shall cooperate in the defense or prosecution thereof and shall furnish such records, information, and testimony and attend all such conference, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnitor in connection therewith. If the Indemnitor assumes such

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defense as provided above, then: (a) the Indemnified Party shall have the right, in its sole discretion, to settle any claim for which indemnification has been sought and is available hereunder, provided the Indemnified Party is fully released from all known and unknown claims of such third party and the Indemnified party is not obligated to perform any actions or pay any money on account of such settlement. If the Indemnitor does not assume such defense as provided above, then: (a) the Indemnified Party shall have the right to employ its own counsel in any such case, and the fees and expenses of such counsel shall be at the expense of Indemnitor; and (b) the Indemnified Party shall have the right, in its sole discretion, to settle any claim for which indemnification has been sought and is available hereunder, at the expense of Indemnitor.

17. MISCELLANEOUS PROVISIONS

17.1 Further Actions

At any time and from time to time after the date hereof, each Party agrees to take such actions and to execute and deliver such documents as the other Party may reasonably request to effectuate the purposes of this Agreement.

17.2 Amendment

Except as otherwise provided in this Agreement, neither this Agreement nor any provision hereof may be waived, modified, amended, discharged, or terminated except by an instrument in writing signed by the Party against which the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such writing.

17.3 Entire Agreement

This Agreement constitutes the entire understanding between the Parties with respect to the matters set forth herein, and supersedes all prior or contemporaneous understandings or agreements between the Parties with respect to the subject matter hereof, whether oral or written.

17.4 Notices

Any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon either Party in connection with this Agreement shall be in writing. Such notice shall be personally served, sent by facsimile, or sent prepaid by registered or certified mail with return receipt requested, or sent by

reputable overnight delivery service, such as Federal Express, and shall be deemed given: (a) if personally served, when delivered to the Party to whom such notice is addressed; (b) if given by facsimile, when sent; (c) if given by prepaid or certified mail with return receipt requested, on the date of execution of the return receipt; or (d) if sent by reputable overnight delivery service, such as Federal Express, on the date of delivery. Such notices shall be addressed to the Party to whom such notice is to be given at the Party's address set forth below or as such Party shall otherwise direct in a writing to the other Party delivered or sent in accordance with this paragraph.

If to LHCWD: La Habra Heights County Water District
 Attn: Michael Gualtieri
 1271 North Hacienda Road
 La Habra Heights, California 90631
 Telephone: (562) 697-6769
 Fax: (562) 697-5568

If to ODWD: Orchard Dale Water District
 Attn: Tom Coleman, General Manager
 13819 East Telegraph Road
 Whittier, CA 90604
 Ph: (562) 941-0114; Fax: (562) 944-6384

If to Rowland: Rowland Water District
 Attn: Ken Deck, General Manager
 3021 South Fullerton Road
 Rowland Heights, CA 91748
 Ph: (562) 697-1726; Fax: (562) 697-6149

17.5 Controlling Law

This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California, without giving effect to any choice-of-law or conflicts-of-laws rule or principle that would result in the application of any other laws.

17.6 Headings

Headings, titles and captions are for convenience only and shall not constitute a portion of this Agreement or be used for the interpretation thereof.

17.7 Cumulative Rights; Waiver

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The rights created under this Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by either Party to exercise, and no delay in exercising any rights, shall be construed or deemed to be a waiver thereof, nor shall any single or partial exercise by either Party preclude any other or future exercise thereof or the exercise of any other right. Any waiver of any provision or of any breach of any provision of this Agreement must be in writing, and any waiver by either Party of any breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this Agreement. The failure of either Party to insist upon strict adherence to any term of the Agreement on one or more occasions shall not be considered or construed or deemed a waiver of any provision or any breach of any provision of this Agreement or deprive that Party of the right thereafter to insist upon strict adherence to that term or provision or any other term or provision of this Agreement. No delay or omission on the part of either Party in exercising any right under this Agreement shall operate as a waiver of any such right or any other right under this Agreement.

17.8 Liberal Construction

This Agreement constitutes a fully negotiated agreement between commercially sophisticated Parties, each assisted by legal counsel, and the terms of this Agreement shall not be construed or interpreted for or against either Party hereto because that Party or its legal representative drafted or prepared such provision.

17.9 Severability

If any provision of this Agreement is invalid, illegal or unenforceable, such provision shall be deemed to be severed or deleted from this Agreement and the balance of this Agreement shall remain in full force and effect notwithstanding such invalidity, illegality or unenforceability.

17.10 No Third Party Beneficiaries

This Agreement does not create, and shall not be construed to create, any rights enforceable by any person, partnership, corporation, joint venture, limited liability company or other form of organization or association of any kind that is not a party to this Agreement.

17.11 No Assignment

Neither Party shall assign this Agreement nor any of its rights and duties hereunder and any purported impermissible assignment shall be void.

17.12 Execution in Counterparts; Facsimile Signatures

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to any other counterpart identical thereto except for having an additional signature page executed by the other Party. Each Party agrees that the other Party may rely upon the facsimile signature of the other Party on this Agreement as constituting a duly authorized, irrevocable, actual, current delivery of this Agreement as fully as if this Agreement contained the original ink signature of the Party supplying a facsimile signature.

17.13 Time of the Essence

Time is of the essence of each and every provision of this Agreement. Unless business days are expressly provided for, all references to "days" herein shall refer to consecutive calendar days. If any date or time period provided for in this Agreement is or ends on a Saturday, Sunday or federal, state or legal holiday, then such date shall automatically be extended to the next day which is not a Saturday, Sunday or federal, state or legal holiday.

17.14 Attorneys' Fees

In the event of any legal action to interpret or enforce this Agreement, or any provision hereof, the prevailing Party in such action shall be entitled, in addition to such other relief as may be granted, to be reimbursed by the losing Party for all costs

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and expenses incurred, including without limitation all attorneys' fees and costs for services rendered to the prevailing Party and any attorneys' fees and costs incurred in enforcing any judgment or order entered. The prevailing Party shall be determined by the court (or arbitrator, if arbitration is agreed to by the Parties) in the initial or any subsequent proceeding.

Executed as of the date(s) set forth below.

"LHHCWD"
LA HABRA HEIGHTS COUNTY WATER DISTRICT

Date: _____

By _____
Its _____

"Rowland"
ROWLAND WATER DISTRICT

Date: _____

By _____
Its _____

Date: _____

"Orchard Dale"
ORCHARD DALE COUNTY WATER DISTRICT

By _____
Its _____