

ATTACHMENT 1

CASTAIC
L A K E



WATER
AGENCY

July 24, 1996

TO: CLWA BOARD OF DIRECTORS

FROM: Robert C. Sagehorn
General Manager

SUBJECT: Reclaimed Water

I am pleased to send you a copy of the fully executed reclaimed water agreement with the Sanitation Districts of Los Angeles County. The agreement provides for a supply of up to 1,600 acre feet of reclaimed water each fiscal year.

Funding to advance a project to use the water is included in the capital budget of the Agency.

cc: Glenn Reiter
Lynn Takaichi
Robert H. Clark
Hunt Braly
Bob Rauch
Bob Walters
Jean Di Angelous

DIRECTORS
EG JERRY GLADE
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ROBERT H. CLARK

SECRETARY
LINDA J. FLEMING

DETERMINATION OF THE PRICE OF RECLAIMED WATER TO CASTAIC LAKE WATER AGENCY (CASTAIC)

FISCAL YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003
RECLAIMED WATER DELIVERED (AFY) (1)	50	1041	1574	1574	1574	1574	1574	1574	1574
CASTAIC COSTS:									
OPERATION AND MAINTENANCE (3)									
Variable O&M (Energy/Pumping)	\$4,244	\$88,357	\$137,604	\$141,732	\$145,984	\$150,364	\$154,875	\$159,521	\$164,306
Maintenance	\$10,000	\$7,755	\$12,312	\$12,928	\$13,574	\$14,253	\$14,965	\$15,714	\$16,499
Deficit from Previous Year	\$0	\$3,844	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASTAIC TOTAL COST (2)	\$14,244	\$99,956	\$149,916	\$154,660	\$159,558	\$164,616	\$169,840	\$175,234	\$180,806
Unit Cost (\$/AF)	\$285	\$96	\$95	\$98	\$101	\$105	\$108	\$111	\$115
WATER RATE:									
90% Castaic's Potable Water Unit Rate (\$/AF) (3)	\$213	\$210	\$251	\$252	\$253	\$261	\$270	\$279	\$289
90% Castaic's Potable Water Total Cost	\$10,650	\$218,610	\$395,074	\$396,648	\$398,222	\$410,814	\$424,980	\$439,146	\$454,886
Castaic's Rate for Reclaimed Water (3)	\$170	\$168	\$201	\$202	\$202	\$209	\$216	\$223	\$231
Castaic's Revenue from Sale of Reclaimed Water	\$8,500	\$174,888	\$316,374	\$317,948	\$317,948	\$328,966	\$339,984	\$351,002	\$363,594
Price Determined by (a)(4)	\$5	\$5	\$5	\$36	\$38	\$41	\$43	\$46	\$48
Price Determined by (b)	(\$36)	\$57	\$78	\$77	\$76	\$78	\$81	\$84	\$87
O&M Valley Reclamation Plants (c) (5)	\$373	\$396	\$419	\$444	\$471	\$499	\$529	\$561	\$595
ACTUAL PRICE - Greater of (a) or (b) but <= (c)	\$5	\$57	\$78	\$77	\$76	\$78	\$81	\$84	\$87
Total Reclaimed Water Cost	\$250	\$59,327	\$122,579	\$120,994	\$119,332	\$123,099	\$127,570	\$131,956	\$137,040
Deficit To Be Carried Over (6)	\$3,844	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

NOTES:

- (1) Assumed usage for purposes of example.
- (2) Total cost to Castaic excluding payment to the Sanitation Districts.
- (3) Based on projections by Castaic (except for 1995).
- (4) Based on Water Reclamation Plants O&M cost of \$143/AF in 1994 and Districts' projections.
- (5) Based on Valley Reclamation Plants O&M cost of \$352/AF in 1994 and Districts' projections.
- (6) Calculated negative deficit (i.e. surplus) is carried over as \$0 for subsequent year determination of cost.

AGREEMENT

This Agreement is made and entered into this 24th day of July, ¹⁹⁹⁶~~1995~~, by and between County Sanitation Districts Nos. 26 and 32 of Los Angeles County, hereinafter referred to as "Districts" and the Castaic Lake Water Agency, hereinafter referred to as "Castaic".

WITNESSETH

WHEREAS, Districts are a county sanitation district formed and operating pursuant to the county sanitation district act, Chapter 3, Part 3, Division 5 of the Health and Safety Code, Sections 4700 et seq., and

WHEREAS, Districts are parties to an Amended Joint Powers Agreement, effective May 8, 1984, which provides, among other things, for the ownership and operation of water reclamation plants in the Santa Clarita Valley. The plants currently include the Saugus Water Reclamation Plant and the Valencia Water Reclamation Plant, hereinafter collectively referred to as "Valley Reclamation Plants"; and

WHEREAS, a number of County Sanitation Districts of Los Angeles County are parties to an Amended Joint Outfall Agreement, effective July 1, 1980, which provides, among other things, for the ownership and operation of water reclamation plants. The plants currently include the Joint Water Pollution Control Plant, Long Beach Water Reclamation Plant, Los Coyotes Water Reclamation Plant, Whittier Narrows Water Reclamation Plant, San Jose Creek Water Reclamation Plant, and Pomona Water Reclamation Plant hereinafter collectively referred to as the "Basin Reclamation Plants". The Valley Reclamation Plants and Basin Reclamation Plants hereinafter collectively are referred to as the "Water Reclamation Plants"; and

WHEREAS, pursuant to said Amended Joint Powers Agreement, the Districts operate the Valencia Water Reclamation Plant, hereinafter referred to as "Valencia Plant"; and

WHEREAS, Districts are authorized to sell or otherwise put to beneficial use any water or wastewater effluent recovered from the operation of said Valencia Plant; and

WHEREAS, Castaic is a water agency formed and operating pursuant to the Castaic Water Agency Law Act 9099b of unmodified acts and is authorized to acquire water and water rights; and

WHEREAS, reclaimed water currently produced at said Valencia Plant is suitable for a number of uses including, but not limited to landscape irrigation; and

WHEREAS, Districts and Castaic desire to provide for the long term use of reclaimed water for landscape irrigation and other beneficial uses hereinafter described, thereby fulfilling their joint responsibilities for the conservation of natural resources; and

WHEREAS, Castaic wishes to purchase from Districts, and Districts wish to sell to Castaic a portion of the reclaimed water produced at said Valencia Plant; and

WHEREAS, Castaic has initiated a project to distribute reclaimed water from the Valencia Plant throughout its own service area in a project referred to as the "Castaic Water Reuse Project";

NOW, THEREFORE, it is hereby agreed by and between the parties hereto as follows:

1. Facilities for Delivery and Distribution of Reclaimed Water

1.1 Districts agree to designate a point of connection to Districts' facilities from which reclaimed water may be drawn by Castaic. The point of connection shall be designated by the Chief Engineer and General Manager of Districts ("Chief Engineer"). The plan of connection and facilities to be used by Castaic shall be first approved by the Chief Engineer subsequent to the date first written.

1.2 Castaic agrees to construct or cause to be constructed, at no cost to Districts, all facilities required to withdraw at the point of connection and distribute the reclaimed water purchased by Castaic, including but not limited to a pump station or stations, wet well, pumps, pipelines, meters, controls, and other facilities.

Castaic shall also be solely responsible for all costs incurred by the operation and maintenance of these distribution facilities. Castaic agrees to construct such facilities in a manner which will maximize the potential for others to construct at the point of connection facilities for the withdrawal of reclaimed water. Castaic agrees to cooperate in the shared use of its facilities with other entities wishing to convey reclaimed water. Castaic also agrees to sell capacity in its facilities at a cost not greater than that necessary to recover the pro rata share of its actual costs of construction, operation and maintenance represented by such shared use. Likewise the Districts agrees not to allow others to construct facilities to withdraw reclaimed water which will interfere with the construction, operation, or maintenance of Castaic owned and operated facilities on Districts property.

1.3 Upon prior written approval of the Chief Engineer, Castaic may locate some of its facilities on Districts-owned property as a matter of convenience to Castaic. Notwithstanding the grant of prior approval and consent by the Chief Engineer, upon request by the Chief Engineer, Castaic shall, within ninety (90) days of notice, relocate any such facilities either off the Districts-owned property or if the relocation is on Districts-owned property then in a manner and at a location which is acceptable to the Chief Engineer. Castaic shall bear the cost of such relocation.

2. Quantity of Water Available to Castaic

2.1 Subject to the provisions hereafter set forth, Districts agrees to make available each fiscal year (July 1 through June 30) commencing July 1, 1995, during the term hereof to Castaic, a total of one thousand, six hundred (1,600) acre-feet (as hereinafter determined) of reclaimed water produced at the Valencia Plant. The maximum daily rate of withdrawal shall be limited to one and four-tenths (1.4) million gallons per day. The actual instantaneous rate of withdrawal will be apportioned throughout the day by the ratio that the instantaneous amount of reclaimed water produced at the Valencia Plant bears to the capacity of the Valencia Plant. Districts and Castaic agree to use their best efforts to correlate continuously the rate of withdrawal to the amount of reclaimed water then being produced at the Valencia Plant. This quantity of reclaimed water will be adjusted every five (5) years, beginning after the tenth (10th) full fiscal year of this Agreement, and Districts' obligation will then be limited to furnishing Castaic one hundred percent (100%) of Castaic's highest annual usage in any

of the three (3) fiscal years preceding the date of adjustment, up to one thousand six hundred (1,600) acre-feet, with the daily and instantaneous rate of withdrawal limitation prorated accordingly.

2.2 In addition, the Chief Engineer may, from time to time and for such periods of time as he determines to be appropriate, authorize the sale of such additional quantities of reclaimed water produced at said Valencia Plant as the Chief Engineer determines will be beneficially utilized by Castaic. The sale of any such additional quantity shall be subject to the terms and conditions of this Agreement and shall be only for such period of time as the Chief Engineer determines to be appropriate. Such authorization shall not increase the permanent entitlements of Castaic provided for by this Agreement.

3. Limitations on Contractual Commitments

3.1 Castaic understands and acknowledges that Districts are charged with the responsibility to operate their sewerage systems in a manner which they determine to be most beneficial to the users thereof. The rights of Castaic to reclaimed water under this agreement pertain only to the reclaimed water which actually is produced at the Valencia Plant. Nothing contained herein shall be construed to qualify in any manner Districts' right to operate the Valencia Plant at such level as it determines, in its absolute discretion to be appropriate, or to discontinue the operation of the Valencia Plant. Any right of Castaic to reclaimed water pursuant to this Agreement shall be subordinate to the rights and responsibilities of Districts as herein set forth.

3.2 Nothing herein shall be construed to commit any portion of the effluent from said Valencia Plant beyond that which the Chief Engineer reasonably determines will be used beneficially by Castaic, including resale for reasonable beneficial uses. No such determination which reduces the quantity available to Castaic, under Section 2 hereof shall be made unless the Chief Engineer has given to Castaic at least sixty (60) days advance written notice of such proposed determination and has afforded to Castaic an opportunity to meet and confer on the issue. The determination shall operate to suspend the contractual rights of Castaic under Section 2 for such period of time and to such quantity of reclaimed water as the Chief Engineer reasonably determines to be

appropriate. Districts reserve the right to enter into contracts with others for the sale of any reclaimed water in excess of the amount to which Castaic is entitled under this Agreement.

3.3 The parties recognize the social benefit to be derived from maximizing the beneficial use of reclaimed water. Districts have in the past and intend in the future to contract for the sale of reclaimed water from the Valencia Plant in quantities which will not cumulatively exceed those which will be produced at the plant. However, any circumstances beyond the Districts' control which cause a reduction in flow from normal capacity through the Valencia Plant or require the Districts to limit the amount of water which can be reused may, at the discretion of the Chief Engineer, result in a temporary or permanent decrease in water available to Castaic under this Agreement in such amounts as the Chief Engineer determines are necessary in order to fairly allocate any such reduced flow production so that the Districts are assured of an adequate supply to meet its own needs at the Valencia Plant, and other Districts owned or operated facilities. The Chief Engineer shall allocate reduced flow production among all of the users of reclaimed water produced at the Valencia Plant except for that quantity that is used by Districts for its needs in proportion to the actual use in the previous fiscal year of reclaimed water produced at the Valencia Plant. The reduced availability will continue in effect until such time as the Valencia Plant has been restored to normal capacity.

4. Quality of Water to be Purchased by Castaic

4.1 Districts agree to use its best efforts to supply reclaimed water from said Valencia Plant to Castaic which will conform to the requirements established from time to time by the California Regional Water Quality Control Board - Los Angeles Region (CRWQCB), or such other regulatory agency as may have authority thereover, for either reuse or discharge to the Santa Clara River, whichever is less restrictive. Should the CRWQCB requirements for Castaic usage be more stringent than those for current discharge to the Santa Clara River, Castaic may, at its discretion and at its expense, undertake steps to meet the requirements and shall indicate to the Districts in writing such intent within ninety (90) days of the adoption by the CRWQCB of the requirements; provided, however, that Districts shall have no duty to modify any of its facilities, including said

Valencia Plant, unless it agrees to such modification. If Castaic is unwilling to meet said requirements, it may terminate this Agreement by written notice to the Districts prior to expiration of said ninety (90) day period.

4.2 Both parties recognize that factors beyond the control of Districts could cause operational difficulties at said Valencia Plant resulting in the temporary production of reclaimed water which does not meet the current legal requirements established by the CRWQCB or other regulatory agency for Castaic's intended uses. In such case, the Chief Engineer, in his sole discretion, may temporarily suspend Castaic's availability of water from Districts' facilities. Districts shall use its best efforts to re-establish the production of reclaimed water of a suitable quality as prescribed in Section 4.1 of this Agreement and shall re-establish Castaic's supply of such water accordingly. Castaic recognizes that a standby water supply will be necessary to prevent any damages which might result from an interruption in the supply of reclaimed water and hereby waives any right which it might have to recover from the Districts damages attributable to such interruption.

4.3 Castaic agrees to release and indemnify and hold harmless Districts, the County of Los Angeles, and each City in Los Angeles County whose wastewater is tributary to the Valencia Plant, their officers, directors, agents and employees from and against any and all liability, loss, costs, demands, damages, causes of action (whether legal, equitable or administrative), fees of attorneys and other expenses, which are attributable to the use of reclaimed water furnished by Districts to Castaic that meets the quality standards described in Section 4.1 hereof.

Castaic also agrees to waive any cause of action that may arise against any of the foregoing agencies or individuals which is attributable to such use.

5. Price of Reclaimed Water

5.1 For the three (3) years subsequent to the day and year deliveries first commence, the unit price to be paid by Castaic for reclaimed water provided by Districts to Castaic under the terms of this agreement shall be the greater of:

(a) \$5.00 per acre foot; or

(b) one-half of the result determined by subtracting the Castaic Water Reuse Project Costs, as defined below, during the fiscal year divided by the total amount of reclaimed water delivered during the fiscal year, from the Water Rate, as defined below provided that deficits, if any, determined by adding the price to the amount determined by the above calculation may be carried over and considered as part of the Castaic Water Reuse Project's cost in the next fiscal year.

Water Rate for the purposes of this Agreement shall be defined as the greater of:

- (i) the price that Castaic charges its customers for potable water multiplied by ninety percent (90%), or
- (ii) the price that Castaic charges its customers for reclaimed water.

For the purposes of this Agreement, Castaic's Water Reuse Project Costs shall be defined as all operation and maintenance costs incurred by Castaic, properly allowable under generally accepted accounting standards and attributed to the Castaic Water Reuse Project including but not limited to: reasonable administration and special program costs related to the use of reclaimed water for the Castaic Water Reuse Project, pump station, reservoir and pipeline maintenance costs, energy cost taking into account all economic benefits realized through low interest loans, rebates and other subsidies obtained by the Castaic from external sources to defray the cost of providing reclaimed water and/or constructing reclamation facilities. A

determination of the price of reclaimed water pursuant to this Section 5.1 and 5.2 is included in this Agreement as Appendix "A".

5.2 At the end of the first three (3) years, the unit price to be paid by Castaic for reclaimed water provided by Districts to Castaic under the terms of this Agreement shall be the greater of:

- (a) one-fifth of the unit cost, as defined below, of operation and maintenance of the Water Reclamation Plants, during the fiscal year in which the reclaimed water was received, rounded to the nearest cent, or
- (b) the value determined by the method prescribed in Section 5.1.(b).

For purposes of this Agreement, the unit cost of operation and maintenance shall be determined on the basis of Districts' accounting records and shall be arrived at by dividing the total operation and maintenance costs of the applicable reclamation plants by the number of acre-feet of treated wastewater therefrom.

5.3 In no event shall the unit price of reclaimed water under Sections 5.1 and 5.2 exceed 100% of the unit cost of operation and maintenance of the Valley Reclamation Plants as defined in Section 5.2.

5.4 Castaic's Water Reuse Project costs shall be determined in accordance with the usual accounting practices of Castaic. Districts shall have the right to audit the books, accounts and records of Castaic during normal business hours upon at least forty-eight (48) hours prior notice to Castaic. Districts' operation and maintenance costs shall be determined in accordance with the usual accounting practices of Districts. Castaic shall have the right to audit the books, accounts and records of Districts during normal business hours upon at least forty-eight (48) hours prior notice to Districts.

5.5 The operation and maintenance costs of such reclaimed water delivery and distribution facilities that may be operated or maintained by Districts on behalf of Castaic shall be paid by Castaic to Districts. Operation and maintenance costs shall be determined in accordance with usual accounting practices of the Districts. Castaic shall have the right to review the books, accounts, and records of Districts during normal business hours upon at least fort-eight (48) hours prior notice to Districts.

6. Payment for Reclaimed Water

6.1 Each year Castaic agrees to make quarterly estimated payments for the total amount of reclaimed water delivered in each of the first three fiscal quarters at the unit price for the previous fiscal year. For the fiscal year in which reclaimed water deliveries commence, Castaic agrees to make quarterly estimated payments for the total amount of reclaimed water delivered in each of the first three fiscal quarters at the unit price of \$5.00 per acre-foot. The payment shall be made prior to October 31, January 31 and April 30 of each year.

6.2 Castaic shall notify Districts of both the total amount of reclaimed water delivered and the itemized costs associated with operating the reclaimed water distribution facilities during each fiscal year as specified in Paragraph 5.1 hereof within thirty (30) days of the end of the fiscal year.

6.3 Districts shall invoice Castaic for the price of the reclaimed water purchased by Castaic as specified in Paragraph 5.1 and the operation and maintenance costs incurred by the Districts on behalf of Castaic as specified in Paragraph 5.5 hereof, less the aforementioned monthly estimated payments, within thirty (30) days after receiving the itemized notification of costs from Castaic. Said invoices shall be paid within thirty (30) days after presentation thereof by Districts.

6.4 In the event of non-payment for sixty (60) days after mailing of invoice, Districts may disconnect Castaic's facilities at the point of connection and order all Castaic's facilities removed from Districts property. This remedy is in addition to all other remedies provided by law.

7. Aesthetic Maintenance

7.1 Castaic agrees to eliminate or control to the reasonable satisfaction of the Chief Engineer any unacceptable aesthetic conditions in Castaic's service area, caused by the use of reclaimed water, including but not limited to standing water, eutrophication of impoundments and overspray onto adjoining properties, and pedestrian and vehicle right-of-ways.

8. Metering and Measurement of Flows

8.1 Castaic agrees to install meters of a size and type approved by the Chief Engineer at no expense to the Districts for the purpose of measuring the quantity of reclaimed water provided pursuant to the terms of this Agreement from said Valencia Plant to Castaic. Castaic agrees to inform the Districts in writing of the total quantity of reclaimed water provided each quarter to each individual site where the reclaimed water is applied, and the purposes for which said quantity of reclaimed water were used. Such written notice shall be provided by the thirtieth (30th) day of the succeeding month.

8.2 Castaic agrees to calibrate, at its expense, the required meters which measure reclaimed water flow and have such meters adjusted or replaced as necessary. These flow meter calibrations shall be in accordance with a schedule deemed reasonable by the Chief Engineer.

8.3 Castaic agrees to permit Districts access to meters and records which measure and register reclaimed water flow for purposes of verifying the quantity of reclaimed water delivered.

9. Limitation of Use

9.1 Castaic understands and agrees that reclaimed water delivered from said Valencia Plant pursuant to terms hereof has limited uses, and Castaic agrees to use said reclaimed water for only those uses or purposes which are legally permissible under the laws of the state and the directives of the appropriate regulatory agencies.

10. Term

10.1 The term of this Agreement shall be twenty five (25) years from the day and year first written, provided that this Agreement may be terminated at any time by mutual agreement of the parties hereto.

11. Notices

All notices pursuant to this Agreement shall be addressed to Districts or Castaic as set forth below or as Districts or as Castaic may hereafter designate in writing and shall be sent through the United States Mail, State of California, duly registered or certified, return receipt requested with postage prepaid thereon. If any notice is sent by registered or certified mail as aforesaid, the same shall be deemed to have been served or delivered twenty-four (24) hours after mailing thereof as above-provided.

TO DISTRICTS:

Chief Engineer, General Manager
County Sanitation Districts of Los Angeles County
Post Office Box 4998
Whittier, CA 90607-4998

TO CASTAIC:

General Manager
Castaic Lake Water Agency
27234 Bouquet Canyon Road
Saugus, CA 91350

12. Litigation

Should litigation or arbitration be necessary to enforce or interpret any term or provision of this Agreement or to collect any portion of any amount payable under this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses in addition to any other relief granted to which the prevailing party would otherwise be entitled.

13. Integrated Agreement

There are no understandings or agreements except as herein expressly stated.

14. Indemnification Against Service Duplication Claims

Castaic and Districts acknowledge that they have reviewed the Service Duplication Laws of the State of California embodied in Chapter 8.5 of Part 1, Division 1 of the Public Utilities Code (Section 1501, et seq.), and believe that the rights and responsibilities conferred by those statutes do not pertain to this Agreement. Castaic recognizes, however, that the Districts would be reluctant to enter into the Proposed Agreement without this Indemnity.

Castaic agrees to indemnify and hold harmless the Districts, their officers, agents and employees, from and against any and all liability, loss, costs, damages, causes of action (whether legal, equitable or administrative), fees of attorneys, and other expenses which the Districts may sustain or incur by reason of or in consequence of the assertion by others, whether successful or not, of rights expressed in the Service Duplication Laws referred to above or similar laws, with regard to the sale of reclaimed water to Castaic under this Agreement; provided that Castaic is promptly notified by the Districts in writing of any such assertion of rights and is granted the right to direct or otherwise participate in any defense of such claim. The foregoing indemnity shall extend to the Service Duplication Law and any similar law which may hereafter be enacted, to any amendments thereto hereafter enacted, and to any recodification thereof, irrespective of form, which may subject the Districts to liability to any privately owned public utility or any other person, association or corporation because of the sale of reclaimed water to Castaic.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above set forth.

CASTAIC LAKE WATER AGENCY

By: *Robert H. Clark*
GENERAL MANAGER

COUNTY SANITATION DISTRICT NO. 26 OF
LOS ANGELES COUNTY

By: *Johnnie Tracy*
Chairperson, Board of Directors

ATTEST:

By: *Yvonne J. Hillenring*

ATTEST:

By: *Patricia S. Gierde*
Secretary
DEC 13 1995

COUNTY SANITATION DISTRICT NO. 32 OF
LOS ANGELES COUNTY

By: *Johnnie Tracy*
Chairperson, Board of Directors

ATTEST:

By: *Patricia S. Gierde*
Secretary
DEC 13 1995

APPROVED AS TO FORM:

By: *Robert H. Clark*

APPROVED AS TO FORM:

KNAPP, MARSH, DORAN & JONES

By: *B. Richard Marsh*

APPENDIX A

DETERMINATION OF THE PRICE OF RECLAIMED WATER TO CASTAIC LAKE WATER AGENCY (CASTAIC)

As discussed in Paragraph 5.1, the actual price of reclaimed water to Castaic for the first 3 years of deliveries is the greater of (a) or (b) but not exceeding (c) where:

- (a) \$5/AF
- (b) $1/2(\text{Unit Water Rate} - \text{Unit Castaic Cost})$
- (c) 100% of O&M Valley Reclamation Plants Unit Cost

EXAMPLE: 1995 (see Table below)

- (a) \$5/AF
 - (b) $1/2(\$213/\text{AF} - \$285/\text{AF}) = -\$36/\text{AF}$
 - (c) \$373/AF
- thus, 1995 actual price is (b) \$5/AF.

As discussed in Paragraph 5.2, the actual price of reclaimed water to Castaic for the remainder of the Agreement is the greater of (a) or (b) but not exceeding (c) where:

- (a) $1/5(\text{O\&M Water Reclamation Plants Unit Cost})$
- (b) $1/2(\text{Unit Water Rate} - \text{Unit Castaic Cost})$
- (c) 100% of O&M Valley Reclamation Plants Unit Cost

EXAMPLE: 1998 (see Table below)

- (a) $1/5(\$181/\text{AF}) = \$36/\text{AF}$
 - (b) $1/2(\$252/\text{AF} - \$98/\text{AF}) = \$77/\text{AF}$
 - (c) \$444/AF
- thus, 1998 actual price is (a) \$77/AF.

ATTACHMENT 2

**FIRST AMENDMENT TO
RECYCLED WATER SALES AGREEMENT BY AND BETWEEN COUNTY
SANITATION DISTRICTS NOS. 26 AND 32 OF LOS ANGELES COUNTY AND THE
CASTAIC LAKE WATER AGENCY**

This First Amendment to the Recycled Water Sales Agreement by and between County Sanitation Districts Nos. 26 and 32 of Los Angeles County and the Castaic Lake Water Agency (“First Amendment”) is hereby made by and between the Santa Clarita Valley Water Agency (“SCV Water”), as the successor in interest to Castaic Lake Water Agency, and the Santa Clarita Valley Sanitation District (“SCVSD”), as the successor in interest to County Sanitation Districts Nos. 26 and 32 of Los Angeles County, with an effective date of _____, subject to the following terms and conditions:

Recitals

- A. On July 24, 1996, the Castaic Lake Water Agency and the County Sanitation Districts Nos. 26 and 32 of Los Angeles County entered into an agreement setting forth the terms and conditions under which the Districts would sell reclaimed water to Castaic Lake Water Agency (the “Agreement”). Pursuant to Section 10.1 of the Agreement, the initial Term of 25 years is due to expire on July 24, 2021.
- B. On July 1, 2005, County Sanitation District Nos. 26 and 32 of Los Angeles County merged to form SCVSD. SCVSD is the wastewater collection and treatment service provider for the service area of the former Sanitation Districts Nos. 26 and 32, and is the successor in interest to the Sanitation Districts’ rights, interests and obligations under the Agreement.
- C. On January 1, 2018, pursuant to the Santa Clarita Valley Water Agency Law (the “Act”), Castaic Lake Water Agency merged with the Newhall County Water District and became SCV Water. Also consistent with the Act, later in January 2018 the Valencia Water Company was dissolved and all of its assets, contracts, property, liabilities, and indebtedness were transferred into SCV Water.
- D. SCV Water is now the retail and wholesale water supply entity for Castaic Lake Water Agency’s service area, and is the successor in interest to Castaic Lake Water Agency’s rights, interests and obligations under the Agreement.
- E. As the water supply agency in its service area, SCV Water is the exclusive distributor of recycled water in its service area.
- F. The purpose of this First Amendment is to update and clarify the Parties respective names and roles under the Agreement, update the pricing information and extend its term as stated herein.

G. This Amendment is exempt from the requirements of the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations Section 15061(b)(3), the common-sense exemption, as well as, alternatively, Section 15301, as the matters contemplated herein do not amend the quantity of recycled water provided for under the Agreement and do not authorize any construction or expansion of new or existing facilities.

Amendment

Based on the above Recitals, which the Parties incorporate into the Agreement by reference, the Parties agree as follows:

1. SCV Water shall hereby replace Castaic Lake Water Agency in the Agreement. For the purposes of the Agreement, any rights or obligations of Castaic Lake Water Agency, Castaic, or CLWA (as used therein), shall be rights and obligations of SCV Water.
2. SCVSD shall hereby replace County Sanitation Districts Nos. 26 and 32 of Los Angeles County in the Agreement. For the purposes of the Agreement, any rights or obligations of County Sanitation Districts Nos. 26 and 32 of Los Angeles County, or the Districts (as used therein) shall be rights and obligations of SCVSD.

3. Paragraph 3.2 of the Agreement is hereby amended to state, in its entirety:

“3.2 SCVSD shall not enter into any agreement to sell reclaimed water from the Valley Reclamation Plants to any person or entity other than SCV Water.”

4. Paragraph 6.5 is hereby added to the Agreement and shall state:

“6.5 Notwithstanding any other provision in this Agreement, including but not limited to the requirements of paragraphs 5 and 6 of this Agreement, the requirements of Appendix A to this Agreement, and irrespective of SCVSD’s obligation to deliver water to SCV Water hereunder or how much water is delivered to SCV Water under this Agreement, SCV Water shall pay for water delivered under this agreement based on the following fee schedule for each full fiscal year after the Effective Date of this Agreement:

Effective Date of Agreement through Year 1	\$167.00 per acre foot
Year 2	Year 1 Price + CPI Adjustment
Year 3	Year 2 Price + CPI Adjustment
Year 4	Year 3 Price + CPI Adjustment
Year 5	Year 4 Price + CPI Adjustment

The annual per acre foot baseline payment rate will be increased on July 1 by an amount equal to the change in the CPI (as defined below) during the immediately preceding 12-month period ending March 31 (“CPI Adjustment”), with a minimum 2% increase and

maximum 5% increase. For purposes of this Agreement, “CPI” means the Consumer Price Index – All Items for All Urban Customers, Los Angeles-Long Beach-Anaheim area published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if such index is discontinued). For purposes of this Agreement, the term “Year 1” refers to the fiscal year ending in 2022.

5. Paragraph 10.1 to the Agreement is amended to state, in its entirety:

“The term of this Agreement shall be five (5) years from the effective date of this First Amendment.

6. Counterparts: This Amendment to the Agreement may be executed in counterparts with the same force and effect as if executed in one complete document by all Parties.
7. Remainder of Agreement: Except only as modified by this First Amendment, the 1996 Agreement remains in full force and effect. If there is any conflict or inconsistency between the First Amendment and the 1996 Agreement, this First Amendment prevails.

[Signatures on Following Page]

The Parties are signing this Amendment to be effective as of the Amendment Date stated above.

**SANTA CLARITA VALLEY WATER
AGENCY**

**SANTA CLARITA VALLEY SANITATION
DISTRICT OF LOS ANGELES COUNTY**

By: _____
Chair, Board of Directors

By: Laurene Weste
Chair, Board of Directors

Dated: _____

Dated: March 15, 2021

ATTEST:

ATTEST:

By: _____
Secretary to the Board

By: Kimberly J. Christensen
Secretary to the Board

**APPROVED AS TO FORM:
BEST BEST AND KRIEGER LLP**

**APPROVED AS TO FORM:
LEWIS BRISBOIS BISGAARD & SMITH LLP**

By: _____
Agency Counsel

By: Wes Beverlin
District Counsel