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# ATTACHMENT 2

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**AGREEMENT FOR TRANSMISSION AND PRODUCTION OF WATER  
BETWEEN CALIFORNIA AMERICAN WATER AND  
BELLFLOWER-SOMERSET MUTUAL WATER COMPANY**

This Agreement for Transmission and Production of Water ("**Agreement**") is entered into by and between California-American Water Company, a California corporation ("**CAWC**"), and Bellflower-Somerset Mutual Water Company, a California corporation ("**BSMWC**"). CAWC and BSMWC may sometimes be individually referred to herein as a "**Party**" and collectively as the "**Parties**."

**RECITALS:**

WHEREAS, BSMWC is a not-for-profit corporation providing water service to its customers/shareholders who are the owners of record or occupants of real property in the area served by BSMWC, which includes areas within the corporate limits of the City of Bellflower ("**City**");

WHEREAS, CAWC is an investor-owned public utility regulated by the California Public Utilities Commission ("**CPUC**") providing water and sewer service within the State of California;

WHEREAS, CAWC and the City are currently negotiating an asset purchase agreement, pursuant to which CAWC will acquire the water system assets of the City ("**Bellflower System**"), which assets include a high capacity well located at 9944 Flora Vista Street ("**HCW**");

WHEREAS, if CAWC acquires the Bellflower System, CAWC will be the water service provider for the area currently served by the City ("**Bellflower Service Area**");

WHEREAS, after it acquires the Bellflower System, CAWC desires to transmit water produced from the HCW to the Bellflower Service Area through BSMWC's water system ("**BSMWC System**") which is currently connected to the HCW pursuant to an agreement with the City;

WHEREAS, after CAWC's acquisition of the Bellflower System, BSMWC desires for water to be produced from the HCW pursuant to water rights owned or leased by BSMWC ("**BSMWC Water**") for use in serving BSMWC's customers; and

WHEREAS, BSMWC is willing to transmit water produced from the HCW to the CAWC system, and CAWC is willing to permit production of BSMWC Water from the HCW, all in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the above Recitals, which are true and correct and incorporated herein by this reference, and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

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**AGREEMENT**

**1. Operations/Coordination.**

- a. *HCW Operation.* CAWC at its sole cost and expense shall be responsible for ensuring the HCW and all appurtenant facilities are operative, subject to BSMWC's payment of the Production Charge described in Section 5, below. BSMWC at its sole cost and expense shall monitor and control the production of water from the HCW through BSMWC's SCADA system.
- b. *Meter Operation.* Each Party, at its sole cost and expense, shall be responsible for ensuring its volumetric meter(s) used for the purposes of this Agreement ("**Meter(s)**") are operative. Each Party shall install, maintain, test, repair, and replace its Meter(s) substantially in accordance with California Public Utilities Commission General Order 103A. The Parties shall conduct testing of their respective Meter(s) at no less than the following intervals:
  - i. 1.5 inch and 2 inch — every four (4) years;
  - ii. 3 inch — every three (3) years;
  - iii. 4 inch — every two (2) years; and
  - iv. 6 inch or larger — every one (1) year.
- c. *Schedule Coordination.* No less than annually, and as frequently as the Parties deem necessary, the Parties shall coordinate, either in person or by telephone or other electronic means, to reach mutually agreed upon estimated delivery and estimated production schedules to meet the demands of the Parties' customers.

2. **Transmission to Bellflower System.** BSMWC will transmit water produced by the HCW through the BSMWC System to the Bellflower System ("**CAWC Water**") in sufficient amounts to meet the demand of CAWC's customers in the Bellflower Service Area. The volume of CAWC Water transmitted shall be calculated in accordance with Exhibit "A" and such water shall be reported to the Central Basin Watermaster as water produced by CAWC. CAWC shall be solely responsible for the payment of any Watermaster assessments on that water production.
3. **Production of BSMWC Water.** The HCW is available to produce BSMWC Water for delivery to BSMWC's customers. The volume of BSMWC Water produced and delivered shall be calculated in accordance with Exhibit "A" and such water shall be reported to the Central Basin Watermaster as water produced by BSMWC. BSMWC shall be solely responsible for the payment of any Watermaster assessments on that water production.
4. **Water Wheeling Charge.** CAWC will pay BSMWC a service charge for transmitting the CAWC Water ("**Wheeling Charge**"). The Wheeling Charge will be calculated by BSMWC in accordance with Exhibit "B."
5. **Production Charge.** BSMWC will pay CAWC a volumetric charge for each acre-foot ("**AF**") of water produced from the HCW and delivered to the BSMWC System ("**Production Charge**"). The Production Charge will be calculated by CAWC in accordance with Exhibit "C."
6. **Payment of Wheeling and Production Charges.** The Parties shall invoice each other in arrears on a quarterly basis (i.e., for the three month periods ending September 30,

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December 31, March 31, and June 30 of each fiscal year beginning July 1) for the Wheeling Charge and Production Charge. Invoices shall be processed as follows and shall be payable within forty-five (45) days of receipt by the other Party: (i) if to BSMWC, to the address specified in Section 11, *Notices*; and (ii) if to CAWC, all invoices must be submitted to the Taulia System (instructions for invoice processing are available at <http://supplierinfo.taulia.com/americanwater>). The Parties may change their methods of invoice processing by notice provided in accordance with Section 11, *Notices*.

- a. *Invoice Disputes Generally.* If within ten (10) days after a Party receives its invoice it disputes the accuracy of the charges set forth thereon, the Parties shall attempt to resolve the dispute in accordance with Section 12, *Dispute Resolution*. If a Party does not dispute an invoice within ten (10) days of receipt, the charges set forth on that invoice are deemed correct and the Party waives any right to later dispute that invoice.
  - b. *HCW Meter Dispute.* If BSMWC disputes the accuracy of the HCW source flow meter ("**HCW Meter**"), the Parties may during the meet and confer process test the HCW Meter for accuracy. If the quantity of water recorded by the HCW Meter measures above 105 percent, or below 95 percent, of the actual water passing through the HCW Meter, then the invoice shall be adjusted accordingly and the Parties shall equally divide all costs incurred in testing the HCW Meter. If the HCW Meter is found to be accurate, i.e., if the quantity of water recorded by the HCW Meter does not measure above 105 percent, or below 95 percent, of the actual water passing through the HCW Meter, then BSMWC shall bear all costs incurred in testing the meter.
7. **Interruptions in Service.** The Parties acknowledge that the transmission and production services contemplated by this Agreement ("**Services**") are subject to interruption from time to time, and that such interruptions may be beyond the control of either Party.
  - a. *Scheduled Interruptions.* The Parties reserve the right to interrupt Services when necessary to repair, maintain or install water service facilities ("**Scheduled Interruption(s)**"). If a Party finds it necessary to perform a Scheduled Interruption, it will notify the other Party as soon as practicable of the approximate time and anticipated duration of the Scheduled Interruption. Scheduled Interruptions will be planned to minimize inconvenience to the Parties' customers whenever reasonably possible.
  - b. *Emergency Interruptions.* For purposes of this Agreement, "**Emergency Interruption(s)**" means any interruption of Services other than a Scheduled Interruption. The Parties shall make all reasonable efforts to prevent Emergency Interruptions. If an Emergency Interruption occurs, the Party whose performance has been interrupted shall reestablish the applicable service with the shortest possible delay consistent with the safety of its customers, its employees, and the general public. Emergency Interruptions shall be reported to the other Party by telephone or email as soon as practicable after the occurrence giving rise to the Emergency Interruption.
  - c. *Hold Harmless.* Each Party agrees to hold the other Party harmless from any liability arising from a Scheduled Interruption or an Emergency Interruption (collectively, "**Interruptions**") unless the other Party's negligence or willful misconduct caused that interruption.

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- d. *Impact of Interruptions.* If an Interruption impacts the production and delivery of BSMWC Water, the Production Charge will be subject to adjustment as described in and in accordance with Exhibit "C." If an Interruption impacts the production of CAWC Water, BSMWC shall provide an alternate source of water to CAWC ("**Replacement Water**"). CAWC shall not be required to pay for Replacement Water provided during any fiscal year wherein the HCW produces at least 700 AF of water. If during a fiscal year the HCW does not produce at least 700 AF of water, then CAWC shall pay BSMWC for any Replacement Water provided during that fiscal year, and BSMWC shall invoice CAWC for that Replacement Water during the first quarter of the subsequent fiscal year at BSMWC's average cost of production; provided, however, if the Interruption was caused by the sole negligence or willful misconduct of CAWC, CAWC shall be invoiced and pay for that Replacement Water at BSMWC's then-current retail water rate. Invoicing for Replacement Water shall be processed and paid in accordance with Section 6, *Payment of Wheeling and Production Charges*.
8. **Term.** Subject to receipt of any required CPUC approval as described in Section 25, *CPUC Jurisdiction*, this Agreement shall be effective on the date it has been executed by both Parties. The initial term of this Agreement shall commence on the date that CAWC acquires the Bellflower System and shall continue for a period of ten (10) years with two (2) ten (10) year options to renew based upon mutual written agreement of the Parties signed prior to expiration of the then-existing term. CAWC shall confirm the date that: (i) it acquires the Bellflower System; or (ii) it determines it will not acquire the Bellflower System, by promptly providing notice to BSMWC in accordance with Section 11, *Notices*. If CAWC does not acquire the Bellflower System, this Agreement will automatically terminate effective as of the date set forth in the notice.
9. **Compliance with Law.** Each Party agrees that in performing its obligations under this Agreement, it shall comply with all applicable laws, regulations, and ordinances of any governmental body with jurisdiction.
10. **Representatives.** Each Party will designate at least one individual officer or employee who will be its representative and will be authorized to act on behalf of the Party for all purposes in performing the provisions of this Agreement ("**Representative**"). Each Party may also designate an alternate Representative who will serve in the place of (and with the same authority as) the Representative if the latter is unavailable. The designation may be changed from time to time by notice provided in accordance with Section 11, *Notices*. BSMWC designates its Executive Director as its initial Representative. CAWC designates its Manager of Operations as its initial Representative.
11. **Notices.** Any notice, consent, approval or disapproval to be given or other document to be delivered by either Party to the other hereunder may be delivered in person, by electronic mail, by Federal Express or other private commercial delivery or courier service for next business day delivery, or may be deposited in the United States mail, duly certified or registered, return receipt requested, with postage prepaid, and addressed to the other Party as follows:

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a. *If to BSMWC:*

Bellflower Somerset Mutual Water Company  
10016 Flower Street  
Bellflower, CA 90706  
Attn: Executive Director  
Email: [steve@bsmwc.com](mailto:steve@bsmwc.com)

b. *If to CAWC:*

California American Water  
8657 Grand Avenue  
Rosemead, CA 91770  
Attn: Manager of Operations  
Email: [monica.na@amwater.com](mailto:monica.na@amwater.com)

**12. Dispute Resolution.** As described in more detail below, a Party that believes a dispute exists under this Agreement must first refer the dispute to the Representatives for resolution. If the dispute cannot be resolved through good faith negotiations, the Parties may agree to use non-binding mediation before having recourse in a court of law.

a. *Meet and Confer.* The Representatives or their designees will personally meet and attempt in good faith to resolve the dispute. If the Representatives cannot resolve the dispute within thirty (30) days of the initial referral, the matter will be referred to senior management of the Parties for resolution. If senior management is unable to resolve the dispute within thirty (30) days thereafter, either Party may request the use of non-binding mediation.

b. *Non-Binding Mediation.* If the dispute cannot be settled through good faith negotiations, the Parties may agree to use non-binding mediation under the rules of JAMS or other rules agreed upon by the Parties before having recourse in a court of law. The expenses of witnesses for either side shall be paid for the party producing such witnesses. All other expenses of the mediation, including required travel and other expenses of the mediator, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the Parties, unless they agree otherwise. If the dispute is not resolved through mediation, either Party may thereafter seek recourse in a court of law.

**13. Indemnification.** To the fullest extent permitted by law, each Party shall defend, indemnify, and hold harmless the other Party and its respective directors, officers, employees, and agents from and against any and all claims asserted or liability established for any damages, costs, losses, and expenses (including attorneys' fees) caused by, arising out of, or related to the active or passive negligent acts or omissions or willful misconduct of the Party or its directors, officers, employees, or agents in the performance of this Agreement. A Party's duty to indemnify and hold harmless the other Party shall not include any claims or liability arising from the established negligence or willful misconduct of the other Party or its directors, officers, employees, or agents.

**14. Insurance.** Without limiting a Party's duty to indemnify, each Party shall maintain in effect throughout the term of this Agreement insurance coverage at least equivalent to the minimum limits set forth in Exhibit "D." Each Party will include the other Party and its

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directors, officers, employees and agents as additional insured with respect to claims arising out of the performance of this Agreement, including ongoing and completed operations, and shall further provide that its coverage is primary to any insurance or self-insurance maintained by the other Party and that the insurance of an additional insured shall not be called upon to contribute to a loss covered by the other Party's primary coverage. Waiver of subrogation shall apply to all insurance. Upon reasonable request of the other Party, each Party shall provide the other Party with a certificate evidencing the insurance coverage required herein.

**15. Termination.** Either Party may terminate this Agreement as provided below.

- a. *Bankruptcy or General Assignment.* Immediately if: (i) the other Party commences a voluntary case or other proceeding under any bankruptcy or insolvency law, or seeks the appointment of a trustee, receiver, liquidator, custodian, or similar official of all or any substantial part of its property; (ii) any involuntary case or other proceeding under any bankruptcy or insolvency law, seeking the appointment of a trustee, receiver, liquidator, custodian, or similar official for all or any substantial part of the other Party's property, is commenced against the other Party, and the other Party consents to any relief requested, or if such proceeding is not stayed or discharged within thirty (30) calendar days; or (iii) the other Party makes a general assignment for the benefit of creditors or fails generally to pay its debts as they become due, or otherwise suffers or otherwise permits an attachment of execution levied upon any material portion of its property connected with its performance hereunder. If any of the above events occur, the Party shall immediately notify the other Party of the occurrence in writing.
- b. *Default.* If a Party fails to perform or adequately perform any material obligation required by this Agreement, that failure constitutes a default. If the defaulting Party fails to cure a default within thirty (30) calendar days of receiving written notice from the other Party specifying the nature of the default, the non-defaulting Party may terminate this Agreement unless such default is curable and the defaulting Party is diligently proceeding to correct such default.

**16. Entire Agreement.** This Agreement constitutes the entire understanding between the Parties relating to the subject matter herein, and supersedes any and all prior or contemporaneous agreements or understandings, whether oral or written, relating to the subject matter herein. Any waiver, modification or amendment of any provision of this Agreement will be effective only if in writing and signed by duly authorized representatives of the Parties.

**17. Successors and Assigns.** Neither Party will have a right to assign this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided that CAWC may assign this Agreement to an affiliate located within the United States without such written consent. Except as otherwise provided herein, any attempt by a Party to assign this Agreement without written consent shall be void for any and all purposes. Subject to the foregoing, this Agreement shall inure to the benefit of the Parties' permitted successors and permitted assigns.

**18. Exhibits Incorporated.** All Exhibits referenced in this Agreement are attached hereto and incorporated into the Agreement by this reference.

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19. **Venue.** The Parties agree that in the event of litigation, exclusive venue shall be in Los Angeles County, California.
20. **Interpretation.** This Agreement shall be governed and construed in accordance with the laws of the State of California, without reference to or application of conflict of laws provisions. The Parties agree that they are aware that they have the right to be advised by counsel with respect to the negotiations, terms and conditions of this Agreement, and the decision of whether or not to seek advice of counsel with respect to this Agreement is a decision which is the sole responsibility of each Party. This Agreement shall not be construed in favor of or against either Party by reason of the extent to which each Party participated in the drafting of the Agreement.
21. **Headings.** Headings in this Agreement are for convenience only and are not to be used in the construction or interpretation of this Agreement.
22. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one instrument.
23. **Conflicts Between Terms.** If an apparent conflict or inconsistency exists between the main body of this Agreement and the Exhibits, the main body of this Agreement shall control. If a conflict exists between an applicable federal, state, or local law, rule, regulation, order, or code and this Agreement, the law, rule, regulation, order, or code shall control. Varying degrees of stringency among the main body of this Agreement, the Exhibits, and laws, rules, regulations, orders, or codes are not deemed conflicts, and the most stringent requirement shall control. Each Party shall notify the other immediately upon the identification of any apparent conflict or inconsistency concerning this Agreement.
24. **Third Party Beneficiaries.** This Agreement is made and entered into solely for the benefit of BSMWC and CAWC and no other person shall have any right of action under or by reason of this Agreement.
25. **CPUC Jurisdiction.** This Contract may not become effective until it is approved by the CPUC. This Contract at all times shall be subject to such modifications as the CPUC may direct from time to time in the exercise of its jurisdiction.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed by their respective duly authorized representatives.

BELLFLOWER-SOMERSET MUTUAL  
WATER COMPANY, a California corporation

CALIFORNIA-AMERICAN WATER COMPANY,  
a California corporation

By: \_\_\_\_\_



By: \_\_\_\_\_



Steve Lenton Executive Director  
Print Name and Title

Garry Huter, Vice President, Operations  
Print Name and Title

Date: \_\_\_\_\_

10/20/17

Date: \_\_\_\_\_

10/20/17

**Execution Copy****EXHIBIT "A"**Methodology for Calculating Volume of BSMWC Water and CAWC Water

The volume of BSMWC Water produced will be calculated quarterly by subtracting (i) the total volume of water entering the Bellflower System from the BSMWC System, as measured by meters located at each connection point between the two systems (each a "**Connection Point**"), from (ii) the production of the HCW as measured by the source flow meter located at the HCW site. An example calculation is set forth below. The volume of CAWC Water produced shall be the subtrahend of the above equation. The Connection Points existing as of the time of execution of this Agreement are identified in the below table:

Meter	System No.	Meter Size	Location
A	1	6"	Walnut St/Lakewood Blvd
B	1	6"	Dunbar St
C	2/3/4	6"	Bellflower Blvd/Somerset Blvd
D	2/3/4	6"	Blaine Ave
E	5	4"	Bellflower Blvd/Foster Rd
F	6	4"	Carfax Ave
G	8	6"	Palo Verde Ave/Artesia Blvd
H	8	6"	Felson St
I	9	6"	Mapledale St
J	8	5/8"	10302 Felson St
K	8	5/8"	10303 Felson St
L	2	5/8"	15123 Bellflower Blvd
M	2	5/8"	15127 Bellflower Blvd
N	2	5/8"	15133 Bellflower Blvd
O	2	5/8"	15137 Bellflower Blvd
P	2	5/8"	15143 Bellflower Blvd
Q	2	5/8"	15147 Bellflower Blvd
R	2	5/8"	15151 Bellflower Blvd
S	2	5/8"	15159 Bellflower Blvd
T	2	5/8"	15303 Bellflower Blvd
U	2	5/8"	15307 Bellflower Blvd
V	2	5/8"	15313 Bellflower Blvd
W	2	5/8"	15319 Bellflower Blvd

**Example Calculation of BSMWC Water Produced:**

Quarterly volume of BSMWC Water Produced = [Quarterly HCW Production] – [Quarterly volumes measured at Meter A + Meter B + Meter C + Meter D + Meter E + Meter F + Meter G + Meter H + Meter I + Meter J + Meter K + Meter L + Meter M + Meter N + Meter O + Meter P + Meter Q + Meter R + Meter S + Meter T + Meter U + Meter V + Meter W]

### Methodology for Calculating Wheeling Charge

### BSMWC Commercial Bi-Monthly Fixed Charges Based on Meter Size

BSMWC/CAWC Transmission and Production  
Exhibit "B"  
Page 1 of 1

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Pricing for the first fiscal year of the initial term is set forth in Table 1 below. Thereafter, Tiered Rates and Marginal Cost Above Projected Demand rates shall be subject to escalation as described in Section II below, and Variable Cost Rates shall be subject to adjustment as described in Section III below.

**TABLE 1**  
**Rate Structure (\$/AF)**

<u>Projected Demand (AFY)</u>	<u>Variable Cost Rate</u>	<u>Tiered Rate</u>	<u>Total Rate</u>	<u>Marginal Cost Above Projected Demand</u>
<u>500</u>	<u>\$68</u>	<u>\$291</u>	<u>\$359</u>	<u>\$188</u>
<u>1000</u>	<u>\$68</u>	<u>\$205</u>	<u>\$273</u>	<u>\$133</u>
<u>1500</u>	<u>\$68</u>	<u>\$159</u>	<u>\$227</u>	<u>\$109</u>
<u>2000</u>	<u>\$68</u>	<u>\$129</u>	<u>\$197</u>	<u>\$96</u>
<u>2500</u>	<u>\$68</u>	<u>\$109</u>	<u>\$177</u>	<u>\$96</u>

**I. Rate Determination.** As soon as practical prior to the beginning of the initial term, and each year in April thereafter, BSMWC will provide CAWC with BSMWC's projected demand for BSMWC Water during the first fiscal year of the initial term or subsequent fiscal year (July 1 – June 30), as applicable ("**Projected Demand**"). The Projected Demand shall be in 500 AF increments and shall not exceed 2,500 AF per year ("**AFY**"). If, due to Scheduled Interruption(s), CAWC does not expect to be able to meet the initially requested Projected Demand, CAWC shall promptly notify BSMWC and the Parties shall collaborate to agree upon a revised Projected Demand.

CAWC will invoice BSMWC quarterly for the Production Charge based on the Total Rate applicable to the Projected Demand (see Scenario 1 below). Scenario 2 and Scenario 3 below describe how the Production Charge will be calculated if BSMWC takes more or less BSMWC Water than the Projected Demand. If, due to a CAWC Emergency Interruption, CAWC cannot deliver the full Projected Demand, BSMWC will pay the Total Rate applicable to the Projected Demand for the amount actually taken (see Scenario 4 below).

Quarterly invoices will be calculated by multiplying the amount of BSMWC Water actually taken by the Total Rate applicable to the Projected Demand. The Production Charge will be adjusted (increased or decreased) by CAWC based on the amount of BSMWC Water actually taken by BSMWC during the fiscal year ("**True-Up**"). CAWC will apply the True-Up to the April – June quarterly invoice as a line-item credit or additional charge, as applicable.

The following examples illustrate calculation of the Production Charge assuming a Projected Demand of 2,000 AF during the first fiscal year of the initial term (Table 1 pricing with no escalation or adjustment applied):

- Scenario 1: BSMWC takes the exact amount of its Projected Demand. The invoiced Production Charge is \$197/AF x 2,000 AF = \$394,000. No True-Up calculation is required.

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- Scenario 2: BSMWC takes 500 AF more than its Projected Demand. The invoiced Production Charge is  $\$197/\text{AF} \times 2,500 \text{ AF} = \$492,500$ . The True-Up calculation is  $[(\$197/\text{AF} \times 2,000 \text{ AF}) + (\$96/\text{AF} \times 500 \text{ AF})] - \$492,500 = \{\$50,500\}$  (credit to BSMWC).
- Scenario 3: BSMWC, at its discretion, takes 400 AF less than its Projected Demand. The invoiced Production Charge is  $\$197/\text{AF} \times 1,600 \text{ AF} = \$315,200$ . The True-Up calculation is  $[(\$227/\text{AF} \times 1,500 \text{ AF}) + (\$109/\text{AF} \times 100 \text{ AF})] - \$315,200 = \$36,200$  (balance owed to CAWC).
- Scenario 4: Due to an Emergency Interruption CAWC is only able to deliver 1,600 AF of the Projected Demand. The invoiced Production Charge is  $(\$197/\text{AF} \times 1,600 \text{ AF}) = \$315,200$ . No True-Up calculation is required.

**II. Tiered and Marginal Rate Escalation.** Unless use of a different escalation methodology has been agreed upon in writing by the Parties, for each subsequent fiscal year, Tiered Rates and Marginal Cost Above Projected Demand rates (collectively, "Rates") shall be subject to an annual increase as a result of an increase in the Consumer Price Index ("CPI"). The basis for computing each CPI increase shall be the CPI for All Urban Consumers, U.S. City Average, All Items, not seasonally adjusted, 1982-1984=100 (or then-current standard reference base) ("Index")\*. In July of each year following commencement of the initial term, the increase in each of the Rates, if any, shall be calculated as the Rates in effect during the immediately preceding fiscal year plus the Rates in effect during the immediately preceding fiscal year multiplied by the percent increase in the Indexes published for June of the immediately two preceding calendar years.

Table 2 below illustrates application of the computation of the Tiered Rates escalation assuming the initial term of the Agreement commences in January of 2018:

TABLE 2	
Percent Change in CPI	Tiered Rate CPI Increase
Index for June 2018: 136	$\$290 + [\$290 \times .047] = \$303.63$
Less Index for June 2017: 129.9	$\$120 + [\$120 \times .047] = \$125.64$
Equals Index point change: 6.1	$\$65 + [\$65 \times .047] = \$68.06$
Divided by June 2017 Index: 129.9	$\$41 + [\$41 \times .047] = \$42.93$
Equals .047	$\$28 + [\$28 \times .047] = \$29.31$

**III. Variable Cost Rate True-Up.** The Variable Cost Rate consists of an estimated Purchased Power Rate of  $\$55.50/\text{AF}$  and an estimated All Other Variable Cost of  $\$12.50/\text{AF}$ . After the end of each fiscal year during the term of this Agreement, the Variable Cost Rate will be adjusted (increased or decreased) by CAWC based on the actual cost of producing water from the HCW during that fiscal year ("VC True-Up"). CAWC will apply the VC True-Up to the April – June quarterly invoice as a line-item credit or additional charge, as applicable.

\*If publication of the Index by any governmental or private agency is discontinued or if it is so modified that it does not accurately reflect the changes in consumer prices from one year to another, then the Parties shall use such other index as is then generally recognized and accepted for similar determination of changes in consumer prices. If the Index is revised, it shall be converted in accordance with the conversion factor published by the Bureau of Labor Statistics or any other governmental agency then publishing the same.

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**EXHIBIT "D"**

Minimum Insurance Coverage

See attached sample ACORD certificate for minimum coverage requirements.



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER		CONTACT NAME:	
INSURANCE BROKER AND ADDRESS		PHONE (A/C, No, Ext):	FAX (A/C, No):
		E-MAIL:	
		ADDRESS:	
		PRODUCER CUSTOMER ID #:	
INSURED		INSURER(S) AFFORDING COVERAGE	
THE NAMED INSURED'S FULL NAME AS IT APPEARS ON THE POLICY DECLARATION'S PAGE ADDRESS		INSURER A : ABC INSURANCE COMPANY	
		INSURER B : DEF INSURANCE COMPANY	
		INSURER C :	
		INSURER D :	
		INSURER E :	
		INSURER F :	
		NAIC #	

## COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<b>GENERAL LIABILITY</b> <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	CGL1234	01/01/2014	01/01/2015	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 1,000,000 PRODUCTS - COMP/OP AGG \$ 1,000,000
A	<b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	AL5678	01/01/2014	01/01/2015	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$ \$
B	<input checked="" type="checkbox"/> <b>UMBRELLA LIAB</b> <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DEDUCTIBLE \$ RETENTION \$	<input checked="" type="checkbox"/>	<input type="checkbox"/>	XS9876	01/01/2014	01/01/2015	EACH OCCURRENCE \$ 9,000,000 AGGREGATE \$ 9,000,000 \$ \$
A	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> (Mandatory in NH) If yes, describe under SPECIAL PROVISIONS below	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WC5432	01/01/2014	01/01/2015	<input checked="" type="checkbox"/> WC STATUS <input checked="" type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000 EACH CLAIM \$ POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

(Reference Project Location or Contract No.) Certificate Holder is included as Additional Insured, except for workers compensation, with respect to liability arising out of the Named Insured's operations as required by written contract. Any coverage afforded to the Certificate Holder shall apply as primary and non-contributory to any other insurance or self insurance available to Certificate Holder. Waiver of subrogation shall apply to all insurance.

## CERTIFICATE HOLDER

## CANCELLATION

CERTIFICATE HOLDER'S FULL NAME  ADDRESS	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

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ACORD 25 (2009/09)

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(END OF ATTACHMENT 2)