

**SACRAMENTO SUBURBAN WATER DISTRICT
WHOLESALE WATER SUPPLY AGREEMENT
WITH THE CALIFORNIA-AMERICAN WATER COMPANY**

This Agreement is entered into as of the 11th day of July, 2005, by and between the Sacramento Suburban Water District, a public agency ("District"), and the California-American Water Company, a corporation authorized to do business in the State of California ("Company"), in the County of Sacramento, California.

RECITALS

A. The District is the owner of facilities for the conveyance of water to provide treated water supplies within its service area. The District has entered into several agreements to enable the District to obtain a treated, surface water supply from Folsom Reservoir, including the following: (1) a water supply agreement with Placer County Water Agency ("PCWA Water Supply Agreement"); (2) a water wheeling agreement with the United States Bureau of Reclamation ("Warren Act Contract"); (3) a water treatment agreement with San Juan Water District ("San Juan Water Treatment Agreement"); and (4) a water conveyance agreement with San Juan Water District ("San Juan Water Conveyance Agreement"), pursuant to which the District diverts surface water from Folsom Reservoir that is treated at San Juan's water treatment plant and conveyed by San Juan to the District's water distribution system for delivery within the District's service area. In addition, the District worked with PCWA to obtain an order from the State Water Resources Control Board to change the authorized place of use under PCWA's water rights to include the service area of the District and the portions of the Company's service area ("Company Service Area") that are shown on **Exhibit 1** to this Agreement.

B. The District and the Company are parties (through their respective predecessors in interest) to a cost-sharing agreement dated May 20, 1996 ("1996 District-Company Agreement"), under which the Company paid the District \$180,000 to cover a portion of the approximately \$1.1 million dollar cost incurred by the District to complete environmental review and obtain regulatory approvals for the PCWA Water Supply Agreement. At the request and cost of the Company, the District has installed interconnections ("Interconnections") on the District Water System to provide future, surface water service to the Company, as shown on **Exhibit 1**.

C. The Company uses groundwater to provide water service within the Company Service Area. The Company desires to supplement its groundwater supplies with treated surface water provided by the District from time to time when it is available. The Company and the District desire to set forth in this Agreement provisions for the District to deliver treated, wholesale surface water supplies to the Company at the Interconnections pursuant to the terms and conditions of this Agreement.

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

1. **Recitals Incorporated.** The foregoing recitals are incorporated by reference.

2. **Definitions.** When used in this Agreement, the following terms are defined as set forth in this section:

A. "Annual Entitlement" means the annual quantities of surface water that the District will make available to the Company each year, as shown on **Exhibit 2** to this Agreement, subject to the terms of this Agreement.

B. "Company" means the California-American Water Company.

C. "Company Service Area" means the portions of the service area of the Company that: (1) are shown on **Exhibit 1** that are within the authorized place of use of water under the PCWA Water Supply Agreement; and (2) will be receiving water service from the District under this Agreement. The Company Service Area may be changed (and a revised **Exhibit 1** prepared) upon the written consent of the District and the Company.

D. "District" means the Sacramento Suburban Water District. The District is the successor and the of Northridge Water District and Arcade Water District.

E. "District Water System" means the water conveyance and related facilities within the North Service Area of the District that are shown on **Exhibit 1** to this Agreement to be used by the District to furnish water supplies to the Company at the Interconnections.

F. "Interconnections" means the interconnections between the District water system and the Company water system that are shown on **Exhibit 1** to this Agreement. The Interconnections will be the points of delivery for water supplies provided under this Agreement. Interconnections include pipe sections, water flow measurement devices and, in some instances, water control valves, that connect the District's Water System with the Company's water system. The Interconnections include facilities to measure water and allow water to flow from one water system to the other water system. The Interconnections may be changed (and a revised **Exhibit 1** prepared) upon the written consent of the District and the Company.

G. "1996 District-Company Agreement" means the May 20, 1996 cost-sharing agreement between the District and the Company.

H. "Northridge" means Northridge Water District, a predecessor entity of the District.

I. "Operating Criteria" means the criteria governing water deliveries (including

water measurement, water pressure and scheduling) by the District from the District Water System to the Company that is to be set forth in **Exhibit 3** of this Agreement. The Operating Criteria may be changed (and a revised **Exhibit 3** prepared) with the written consent of the District and the Company. This Agreement will not become effective until the District and the Company have confirmed in writing their consent to the Operating Criteria.

J. "PCWA" means Placer County Water Agency.

K. "PCWA Water Supply Agreement" means the "Agreement between PCWA and Northridge Water District for a Water Supply for Groundwater Stabilization," dated as of June 1, 2000, as amended, as this agreement may be amended and renewed from time to time. Water supplies under the PCWA Water Supply Agreement are not expected to be available in all years, including certain dry years, in accordance with the terms of the PCWA Water Supply Agreement and the May 24, 2000 order (affecting PCWA water right application 18085 and permit 13856) of the State Water Resources Control Board that approved the change in the place of use under PCWA's water rights.

L. "San Juan" means the San Juan Water District.

M. "San Juan Water Conveyance Agreement" means the "Agreement for Ownership, Utilization, Operation and Maintenance of the Cooperative Transmission Pipeline Project," entered into as of July 1, 1997, as amended, between San Juan, the District and other water purveyors, as this agreement may be amended and renewed from time to time.

N. "San Juan Water Treatment Agreement" means the "Agreement between San Juan and Northridge concerning Diversion, Treatment and Conveyance of Water," entered into as of October 12, 1994, as amended, as this agreement may be amended and renewed from time to time. Surplus capacity for use to provide water supplies from the District Water System is not expected to be available under the San Juan Water Treatment Agreement during all months of every year.

O. "Warren Act Contract" means the "Contract for Conveyance of Non-Project Water between the United States and the District," entered into as of March 1, 2004, as amended, as this agreement may be amended and renewed from time to time. The District has requested that the Bureau of Reclamation approve a twenty-five-year renewal of the Warren Act Contract.

P. "Water Forum Agreement" means the Water Forum Agreement (as amended from time to time) entered into by the District as of June 5, 2003, which sets forth conditions to which the District may deliver water under the PCWA Water Supply Agreement. The Company acknowledges that it has read and reviewed the Water Forum Agreement.

3. **Supersedes Prior Agreements.** This Agreement supersedes any prior oral or written agreements related to this subject matter between the Company and Northridge, or the Company and the District, including the 1996 District-Company Agreement.

4. **Term and Termination.** The term of this Agreement will be the same as the term of the PCWA Water Supply Agreement. This Agreement will remain in effect until terminated.

5. **Water Supplies to Be Provided to the Company.** Water will be made available by the District to the Company under this Agreement from surface water supplies that are available to the District from time to time to provide water service from the District Water System, including under the PCWA Water Supply Agreement. The District will operate the District Water System to provide the customers within the boundaries of the District first priority to the water supplies available to the District. The District will provide for delivery to the Company of the surplus water supplies that the District makes available under this Agreement before the District delivers surplus water to other wholesale water supply contractors from the District Water System. Each year during the term of this Agreement, the District will make available to the Company, subject to the Operating Criteria, and the water shortage and other provisions of this Agreement, the Company's Annual Entitlement of water. On or before December each year, the District will notify the Company of the amount of the Annual Entitlement that the District expects to be available for delivery to the Company that year. The Company will make reasonable and beneficial use of the water supplies provided by the District under this Agreement. Each year, the Company will be required to pay for the full amount of the Annual Entitlement that the District makes available to the Company that year.

6. **Operation of Interconnections.** The District will operate the Interconnections. The District will work cooperatively with the Company to provide the water supplies scheduled by the Company as is practicable, without detrimentally affecting water service to the District's customers. The District may discontinue or reduce the quantities of water supplies provided to the Company at any time upon the District's determination, in its sole discretion, that the continuation of delivery of water supplies to the Company would adversely affect water service to the District's customers. The District will provide the Company notice of discontinuation or reductions in quantities of water supplies at least twenty-four hours in advance, to the extent practicable. The District will notify the Company as soon as practicable of any change in the District Water System operations that could affect the use of the Interconnections to provide water supplies to the Company under this Agreement. The District will notify the Company at least twenty-four hours prior to taking an Interconnection out of service for planned maintenance, and will provide a schedule to the Company indicating an estimated time for return to service.

7. **Modifications to Interconnections.** The District may make modifications to the Interconnections as it determines necessary in the prudent operation of the Interconnections and the District Water System. The District will notify the Company at least twenty-four hours in advance

of any modification to the Interconnections. The Company may propose (in writing with drawings, if applicable) to the District modifications to the Interconnections. The District will review and comment on or approve any such modification proposed by the Company within thirty days of receipt of the proposal from the Company.

8. Water Deliveries During Emergency Conditions. At the sole discretion of the District, the District may provide water supplies to the Company through the Interconnections during emergency conditions, when the Company so requests the District to open one or more of the Interconnections. Emergency conditions are intended to be of limited duration only. Examples of emergency conditions include, but are not limited to, terrorism, vandalism, natural disasters, fire, equipment failure, broken water mains and loss of electrical power that would temporarily interrupt the water supply to the Company's customers.

9. Costs of Operating and Maintaining the Interconnections. The District will operate, maintain, repair, replace and modify the Interconnections consistent with the terms of this Agreement. The Company will reimburse the District for the costs incurred by the District in the operation, maintenance, repair, replacement and modification of the Interconnections as part of the wholesale water rate charged by the District to the Company for interim water supplies under this Agreement. The District will consult with the Company on a regular basis concerning the costs incurred by the District under this Agreement, and the basis for the District charging the Company for the reimbursement of these costs.

10. Water Rates and Charges.

A. Wholesale Water Rates and Charges. The District will set wholesale water rates and charges from time to time for furnishing water supplies to the Company under this Agreement, that reflect the District's costs of furnishing water supplies, including without limitation, the costs of untreated water, pumping, wheeling, treatment and conveyance, and the cost of operation, maintenance, repair, replacement of, and capital improvements to, the District Water System, together with costs incurred by the District under Section 10 of this Agreement. The District's wholesale water rates and charges will reflect the melded cost of water from the various sources of surface water supply utilized by the District to provide water service from the District Water System from time to time when the District is furnishing water supplies to the Company under this Agreement. The wholesale water rates upon the effective date of this Agreement are set forth in **Exhibit 4** to this Agreement.

B. Schedule for Payments. The District will notify the Company of the wholesale water rate on or before December 31 of each year. The District's wholesale water rate will be subject to change from time to time upon the District providing thirty days' prior, written notice to the Company. The District will bill the Company quarterly for water service based on the measured quantity of water provided to the Company, and payments will be due within thirty days

of billing. Delinquent payments will incur interest at the rate of ten percent per year until paid in full.

C. General Obligation of the Company. The obligations of the Company under this Agreement will constitute general obligations of the Company, and the Company will use all of the powers and resources available to it under the law to collect the funds necessary for, and to pay, the Company's obligations to the District under this Agreement. The Company as a whole is obligated to pay the District the payments becoming due under this Agreement, notwithstanding any individual default by its water users, customers or others in the payment to the Company of assessments, taxes or other rates and charges levied by the Company.

11. No Responsibility for Distribution of Water beyond Company's Point of Delivery. The District will not be liable for the control, carriage, handling, use, disposal or distribution of water supplies furnished to the Company under this Agreement past the Interconnections. The District will not be liable for claims of damage of any nature whatsoever, including but not limited to property damage or personal injury, arising out of or connected with the control, carriage, handling, use, disposal or distribution of water supplies furnished to Company under this Agreement past the Interconnections, and the Company will indemnify, defend and hold harmless the District and its directors, officers, employees and agents from any such damages or claims of damages. The District will not be liable for changes in water quality or violations of drinking water standards downstream of the Interconnections, but will consult and cooperate with the Company to avoid such violations.

12. Water Quality. Water supplies delivered by the District to the Company under this Agreement will meet or exceed the minimum standards for water quality established by: (a) the California Department of Health Services, Office of Drinking Water Standards, or its successor Company; and (b) federal agencies with jurisdiction over drinking water standards. The District will provide to the Company at the earliest date practicable water quality data used to prepare consumer confidence water quality reports for the District Water System, and the District will provide the Company a copy of the District's consumer confidence water quality reports when they are available to facilitate the Company's preparation of water quality reports to its retail customers as required by State or federal law.

13. Place of Use Limitations. Water supplies furnished to the Company under this Agreement will not be sold or otherwise disposed of by the Company for use outside of the Company Service Area, without the prior written consent of District, which consent may be withheld at the sole discretion of the District.

14. Water Measurement. The District is required under the Water Forum Agreement to require that water delivered by the District outside of the District's boundaries is measured at each service connection on the schedule approved under the Water Forum Agreement. Water

deliveries under this Agreement will be subject to the Company's compliance with the provisions of the Water Forum Agreement that apply to delivery of water under the PCWA Water Supply Agreement.

15. General Provisions.

A. Legal Authority and Supporting Resolutions. Each party represents that it has legal authority to enter into this Agreement and to perform its obligations hereunder, including all approvals required of regulatory agencies. Each party will provide to the other party concurrent with execution of this Agreement, a duly-authorized resolution or other document authorizing the person executing this Agreement to do so.

B. Integration. This Agreement constitutes the sole, final, complete, exclusive and integrated expression and statement of the terms of this contract concerning the subject matter of this Agreement, and supersedes all prior negotiations, representations or agreements, either oral or written, that may be related to the subject matter of this Agreement.

C. Construction and Interpretation. The parties acknowledge that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party will not apply in construing or interpreting this Agreement.

D. Severability. The invalidity, illegality or unenforceability of any provision of this Agreement will not render the other provisions unenforceable, invalid or illegal.

E. Amendment. The terms of this Agreement may be modified or amended only by a subsequent written agreement approved and executed by the parties.

F. Notices. Any notice and other communications required under this Agreement will be in writing, and will be deemed to have been duly given upon the date of service, if (a) served personally on the party to whom notice is to be given; or (b) sent by electronic mail, and the party to whom notice is to be given confirms receipt; or (c) on the third day after mailing, if mailed to the party to whom notice is to be given, by first-class mail, postage prepaid, and properly addressed to the following:

General Manager
Sacramento Suburban Water District
3701 Marconi Avenue
Sacramento, California 95821

General Manager
California-American Water Company
4701 Beloit Drive
Sacramento, CA 95851

G. Relationship of Parties. Nothing in this Agreement will be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability.

H. No Third-Party Beneficiaries. This Agreement will not be construed to create any third-party beneficiaries. This Agreement is for the sole benefit of the parties and their respective successors and permitted transferees and assigns, and no other person or entity will be entitled to rely on or receive any benefit from this Agreement or any of its terms.

I. Successors and Assigns. This Agreement will bind and be for the benefit of the respective successors and assigns of the parties, except that, no assignment or transfer of any rights or duties of a party under this Agreement will be effective unless approved in writing by the other party.

J. Opinions and Determinations. Where the terms of this Agreement provide for an action to be based on the opinion, determination, approval or review of either party, such terms are not intended to be, and will not be construed as permitting, such action to be arbitrary, capricious or unreasonable. Any opinion, determination, approval or review required of a party under this Agreement will be provided in a timely manner.

K. Reasonable Cooperation. The parties will reasonably cooperate with each other, including the execution of all necessary documents, to carry out the purposes and intent of this Agreement.

L. General Indemnity. Each party to this Agreement will indemnify, defend and hold harmless the other party, and its respective directors, officers, employees and agents, from and against any and all liability, losses, claims, damages, expenses, demands, settlements and costs (including, but not limited to, interest, penalties, attorney, expert witness and consulting fees, and litigation costs) of any nature arising out of the party's performance under this Agreement and caused by any negligent act or omission, willful misconduct or violation of law of or by the party, or the party's employees, agents, contractors and subcontractors.

M. Waiver. The waiver at anytime by a party of its rights with respect to a default or other matter arising in connection with this Agreement will not be deemed to be a waiver with respect to any subsequent default or matter.

N. Remedies Not Exclusive. The remedies provided in this Agreement are cumulative and not exclusive, and are in addition to any other remedies that may be provided by law or equity. The exercise by either party of any remedy under this Agreement will be without prejudice to the enforcement of any other remedy.

O. **Contact Persons.** Each party will designate in writing to the other party from time to time its operational personnel (including on-call personnel) for contact purposes under this Agreement.

The foregoing is hereby agreed to by the parties as of the effective date of this Agreement.

SACRAMENTO SUBURBAN WATER DISTRICT

By: *[Signature]*
General Manager

CALIFORNIA-AMERICAN WATER COMPANY

By: *[Signature]*
Vice President

ATTEST:

By: *[Signature]*

STATE OF CALIFORNIA ^{ARIZONA})
) ss.
County of MARICOPA)

The foregoing instrument was acknowledged before me this 6th day of July, 2005, by ROBERT J. KUTA, Vice President of California-American Water Company, a California corporation, on behalf of the company.

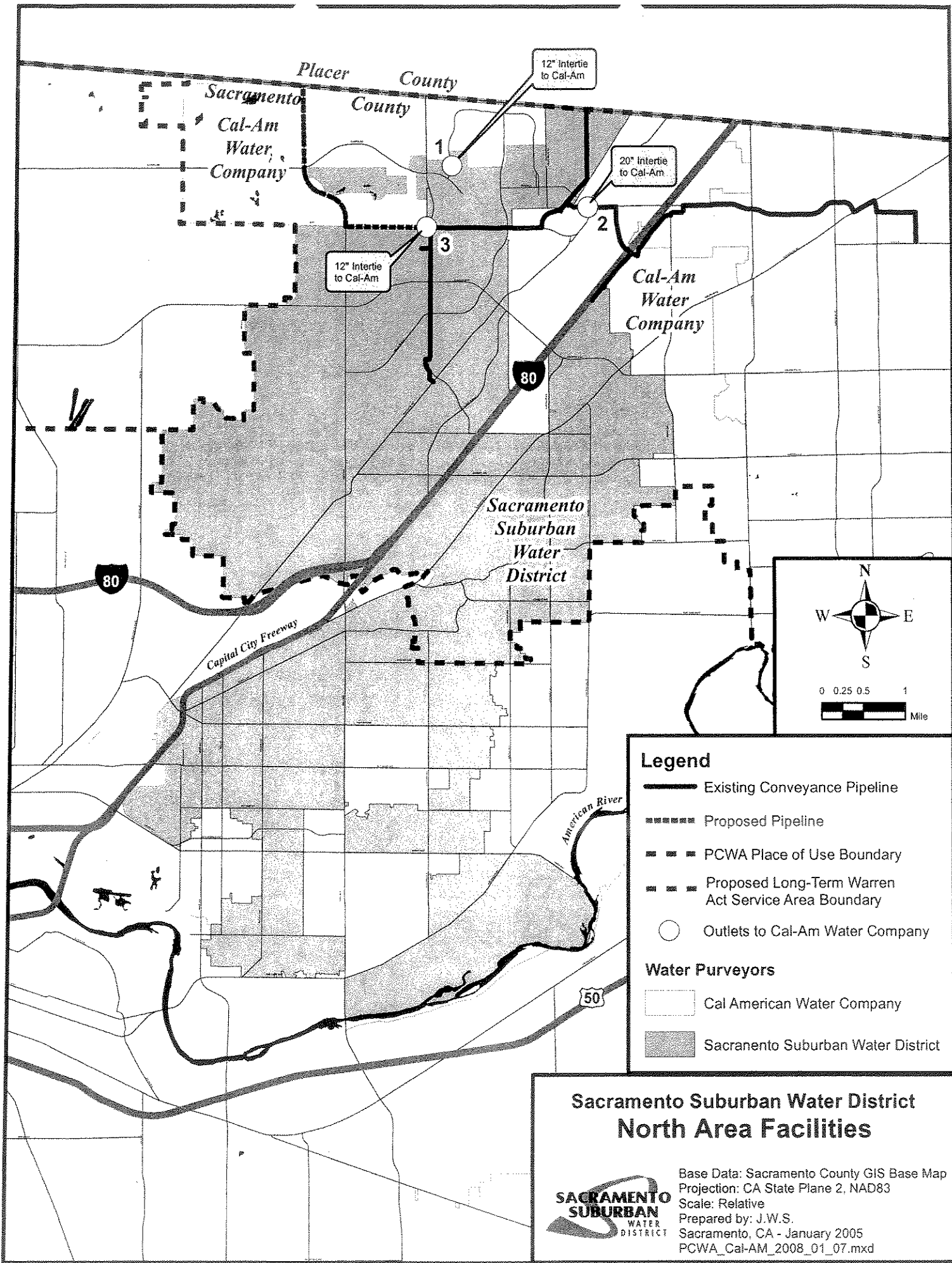
My Commission expires: May 15, 2009

Melissa A. Bronson



Exhibit

1. Map of District Water System, Interconnections and Company Service Area
2. Annual Quantities of Surface Water Deliveries
3. Operating Criteria
4. Rates and Charges



Sacramento Suburban Water District North Area Facilities



Base Data: Sacramento County GIS Base Map
 Projection: CA State Plane 2, NAD83
 Scale: Relative
 Prepared by: J.W.S.
 Sacramento, CA - January 2005
 PCWA_Cal-AM_2008_01_07.mxd

Exhibit 2

Annual Quantities of Surface Water Deliveries

Contract Year	Year	Minimum Purchase (AF)
1	2005	800
2	2006	1000
3	2007	1000
4	2008	1000
5	2009	1500
6	2010	1500
7	2011	1500
All Following Years		2000

EXHIBIT 3

**CALIFORNIA AMERICAN WATER COMPANY
AND
SACRAMENTO SUBURBAN WATER DISTRICT
WHOLESALE SURFACE WATER SERVICE CONNECTIONS**

OPERATING CRITERIA

This document outlines the general delivery guidelines and criteria for the operation of service connections between the California American Water Company (Cal-AM) and the Sacramento Suburban Water District (District). The initial wholesale water service connections are located on the District's 48-inch diameter Conveyance Pipeline along the north service area of the District.

LIST OF CONTACTS:

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

District:	WORK (916 Area Code)
James Arenz, Operator on Call	679-2892 (Cell-869-7359)
*Field Operations Dispatch (for Operator on Call)	972-7171
Richard Creechley, Production Superintendent	679-2884 (Cell-416-5468)
*Utility Emergency Number (24-hr Line)	972-7171
Dan York, Field Operations Manager	679-2880 (Cell-869-7349)
Warren Jung, District Engineer, Operations	679-2896 (Cell-416-5467)

*Daily 8am-5pm; after hours, weekends and holidays-same number to answering service.

Cal-AM:	WORK
Production On-Call Operator	916-869-8165
Yitzhak Gilon, Operations Production Superintendent.	916-568-4239
	209-923-3754 (Cell)
	530-620-7453 (Home)
John Diller, Maintenance. Service Specialist, Lead	916-869-1045 (Cell)
Dan Mizerski, No. California Network Gen. Manager	916-568-4259
	916-275-4218 (Cell)

OPERATIONAL PARAMETERS:

Per the agreement the Cal-AM and District operators controlling the service connections shall maintain the following operational parameters (See attached map of outlets and interties on Conveyance Pipeline).

Service Connection #1 - 20-inch connection at Roseville Road and Antelope Road

Service Connection #2 - 12-inch connection at Antelope Road west of Walerga Road

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

Minimum District System Operating Pressure	= 45 psi
Minimum Service Connection Operation Pressure	= 40 psi

OPERATIONAL PROCEDURES:

1. For initial start-up, and for subsequently significant shutdown periods, Cal-AM will call the District Water Production Department to communicate delivery status.
2. The Water Production Operator will check the system pressure using the District's Supervisory Control and Data Acquisition (SCADA) system. (SSWD has several of its production wells connected to a telemetry system for monitoring the system operation throughout the District. Overall system pressures will be monitored regularly to assure that system pressures maintain District required levels.) If the pressure equals or exceeds 45 psi, the Water Production Operator will open the valve located at the service connection. If the system pressure at the service connection is less than 45 psi, or the Water Production Operator has reason to suspect that the pressure shall fall to or below 45 psi within a short period from the call for delivery (based on historic demand trends), the Water Production Operator will deny Cal-AM's request for delivery and not open the valve.

The SCADA system shall enunciate visually and audibly a low-pressure condition (45 psi) and a low-low pressure condition (40 psi) at the District control station. Should the low-low pressure condition remain in effect for 30 minutes, the District's shall initialize valve shutdown.

3. When the Water Production Operator authorizes a request for delivery, and the service connection valve number 1 has been opened, the District Operator shall monitor the system pressures in the District through the SCADA system. If the system pressure remains constant Cal-AM shall continue to take water. The District will continue to monitor system pressures on the District side of the service connections. If the pressure falls to or below 45 psi the District shall adjust the flow to maintain pressure at or above 45 psi. Cal-AM shall strive to maintain service connection pressure at or above 40 psi. If at any time the District's pressure should fall to or below 45 psi the District's shall reduce the flow in one or more connections.
4. If the system pressure remains above 45 psi Cal-AM shall be authorized to open a second valve while monitoring system pressure to ensure that pressure does not fall below 45 psi. The District shall control the valve to maintain system pressure at or above 45 psi. At no time shall the service connection pressure drop below 40 psi.
5. The District shall be responsible for reading the meter and recording the time and flow quantities.
6. District can take a maximum daily flow rate through the connection as measured by the District maintained service connection flow meter as long as the service connection pressures and conditions in paragraphs 2, 3, and 4 are met.
7. If Cal-AM encounters an emergency situation that requires additional water for their system for a short duration, the District may allow Cal-AM to take water even though the system pressure at the service connection is below 40 psi. Cal-AM shall notify SSWD as soon as practical regarding emergency usage and its expected duration.
8. If the District encounters an emergency situation that requires additional water for their system, the District may close the service connection valve even though the system pressure at the service connection is at or above 40 psi. In the event of an emergency, the Water Production Operator shall notify Cal-AM before closing the service connection valve (s).
9. The aforementioned delivery criteria can be modified at the discretion of the District.


AGREEMENT:

Both parties agree to the procedures and conditions set forth in this document to deliver District

water to the Service connection, by and between the SACRAMENTO SUBURBAN WATER DISTRICT and Cal-AM.

Dated: July 11, 2005

SACRAMENTO SUBURBAN WATER DISTRICT

By: 
Dan York, Distribution Manager

CAL-AM


By: 
(Name), Facilities Operations

EXHIBIT 4

ANNUAL WHOLESALE RATES AND CHARGES FOR WATER SERVICE

Illustrative Approximate Water Delivery Charges For 2005 (Variable \$/per acre foot for water delivered, except that, the charge under the PCWA Water Supply Agreement, plus surcharge, applies to the Annual Entitlement that the District makes available to the Company that year):

PCWA Water Supply Agreement (plus 5 percent surcharge):	\$36.75
Warren Act Contract (2004):	\$23.41
Folsom Reservoir Diversion Power Charges:	\$1.64
San Juan Water Treatment Plant Charges (FY 05):	<u>\$45.12</u> \$106.92

Approximate Capacity Reservation Charges (Fixed \$/Per Acre Foot of Service Commitment):

Conveyance Facility Capital Charge:	\$62.65
Regulatory Approval Charge (includes environmental compliance and State Board approval related to PCWA Water Supply Agreement; includes credit for Cal Am's previous contribution):	\$3.30
Long-Term Warren Act Contract Approval Charge:	\$TBD
Conveyance O&M Charge:	\$1.00
Administrative Charge:	\$1.00
Out-of-District Charge:	<u>\$9.40</u> \$77.35

Additional facilities to provide water service would include the following:

\$TBD