

**MASTER WHOLESALE WATER SERVICE AGREEMENT BETWEEN THE  
CITY OF SACRAMENTO AND FRUITRIDGE VISTA WATER COMPANY**

**THIS AGREEMENT** is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2007, by the CITY OF SACRAMENTO, a charter municipal corporation (“City”), and D.J. Nelson, Trustee of the D.J. Nelson Trust dba FRUITRIDGE VISTA WATER COMPANY, a private water company (“Company”). This Agreement may be referred to herein as the “Master Agreement.” City and Company may be referred to jointly as the “Parties,” or individually as a “party.”

**RECITALS**

- A. The City and Company operate retail water supply systems serving their respective customers. The City also operates its water system to provide wholesale water service.
- B. The Company is a privately owned water company and operates a public utility water system in unincorporated Sacramento County, in an area bounded by the City of Sacramento on the East, North and West, and Florin Road on the South. The Company serves approximately 15,000 people through approximately 5,000 service connections under the jurisdiction of the California Public Utilities Commission (PUC) and the California Department of Health Services (DHS).
- C. The Company supplies its customers from 17 groundwater wells, four of which are inactive as a result of methyl tertiary butyl ether (MTBE) contamination. As a consequence of the loss of the four groundwater wells, the Company has had difficulty maintaining adequate water pressure in its distribution system, which resulted in DHS Compliance Order No. 01-09-05-CO-002 on August 29, 2005. MTBE contamination within the Company’s water system also resulted in an Order from the Central Valley Regional Water Quality Control Board (CVRWQCB) in January, 2003.
- D. The Company sent a letter, dated May 13, 2005, to the Sacramento City Fire Department, which provides fire protection services to the area served by the Company, under a contract with the Pacific Fire Protection District. The Company’s letter indicated that, due to its groundwater well closures, periodic drops in the water pressure of the Company water system were very likely during the coming summer months.
- E. On October 7, 2005, the Company filed an application with the PUC pursuant to Public Utilities Code section 2708 to establish a moratorium on new service connections pending resolution of the distribution problems. Several complaints were filed with the PUC against the Company at around the same time to compel the Company to find new water supplies for prospective new customers.
- F. In March, 2006, following negotiations with the various regulatory agencies and complainants, a Comprehensive Settlement Agreement was submitted to the CPUC to resolve the Company’s current water supply problems, and to develop new water supplies to allow the Company to serve current users and new development within the Company’s

service area. The CPUC approved the Comprehensive Settlement Agreement by Order dated April 27, 2006 (Decision 06-04-073). The decision was challenged in an Application for Rehearing of Decision 06-04-073, dated May 30, 2006, and final decision was made by the CPUC in an Order Modifying Decision 06-04-073, and Denying Rehearing as Modified, dated September 21, 2006. The City participated in the negotiation process but is not a party to the Comprehensive Settlement Agreement, which is attached to this Master Agreement for informational purposes, but is not incorporated into this Master Agreement, as **Exhibit A**.

- G. Among other things, the Comprehensive Settlement Agreement contemplates the wholesale water supply agreement described in this Master Agreement, and contemplates construction of two new Service Connections.

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

**1. Recitals Incorporated:**

The foregoing recitals are incorporated by this reference.

**2. Purpose:**

The purpose of this Master Agreement is to establish the terms and conditions under which the City will divert, treat, convey and sell surface water to Company on a wholesale basis for use within the Wholesale Service Area. Company will purchase from City, and City will sell to Company, a perpetual right to delivery of up to 3.24 million gallons per day of City Water diverted, treated and delivered using Firm Capacity in the City Treatment Facilities and City Transmission Facilities.

- 3. Definitions:** The following terms, when used in this Master Agreement, shall have the definitions given in this Section 3.

*Additional Firm Capacity:* An increment of additional Firm Capacity that may be used to provide Wholesale Water Service, as provided in Section 9b, below.

*Capital Costs:* Costs incurred by the City to design and construct diversion, pumping, treatment and transmission facilities used to provide treated surface water to Company under this Master Agreement, including the reasonable administrative costs associated with such design and construction.

*City:* The City of Sacramento.

*City Transmission Facilities:* All facilities, including transmission mains and all appurtenances that are owned and operated by the City to supply water from the City Treatment Facilities, as they exist today and as they may be modified and expanded in the future.

*City Treatment Facilities:* All facilities that are owned and operated by the City to divert and process water to meet the standards established for drinking water by the California Department of Health Services and/or the United States Environmental Protection Agency, including but not limited to the Fairbairn Plant and the Sacramento Plant, as they exist today and as they may be constructed, modified and expanded in the future.

*City Water:* Potable surface water that the City conveys to its retail and wholesale customers from the City's municipal water supply, diverted by City pursuant to the City's Water Rights and Entitlements.

*City Water Rights and Entitlements:* The City's surface water rights and entitlements, including pre-1914 rights, water right permits issued by the State Water Resources Control Board and a water rights settlement contract entered into in 1957 with the United States Bureau of Reclamation.

*Company:* The Fruitridge Vista Water Company.

*Company Water Facilities:* All facilities, including groundwater wells, transmission mains, storage facilities and all appurtenances, that are owned and operated by Company to supply water, as they exist today and as they may be modified and expanded in the future.

*Comprehensive Settlement Agreement:* That certain "Settlement Agreement for a Comprehensive Solution to the Fruitridge Vista Water Supply Situation," by and among the D.J. Nelson Trust (dba Fruitridge Vista Water Company), Mercy Properties California, the County of Sacramento, Victoria Station LLC, Park Place LLC, David Gonzalez, Saia Motor Freight Line, Inc., Soccer Planet, Inc., the Sacramento Housing and Redevelopment Agency, the Housing Authority of the County of Sacramento, and Trench Plate Rental Co., as approved by the CPUC and attached as Exhibit 1 to Decision 06-04-073, dated April 27, 2006, and attached hereto as **Exhibit A**.

*Connection Fee:* The fee(s) paid by Company for its share of the Capital Costs associated with the Firm Capacity that will be used to provide potable water to Company under this Master Agreement, as provided in Section 9b, below.

*Delivery Criteria:* The operating guidelines and criteria governing the wholesale delivery of City Water to the Wholesale Service Area under this Master Agreement, as set forth in section 4, below.

*Effective Date:* The date when this Master Agreement becomes effective as provided in Section 11 of this Master Agreement.

*Fairbairn Plant:* The City's E.A. Fairbairn Water Treatment Plant located on the south bank of the Lower American River downstream of Howe Avenue.

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*Water Forum Agreement:* The Sacramento Water Forum Agreement dated January 2000 and any subsequent amendments or supplements thereto.

*Wholesale Service Area:* Those lands served by the Company and located within the Company's PUC-approved service area (including any PUC-approved changes to this service area) and also located within the POU, as currently depicted in **Exhibit B** to this Master Agreement. This area is generally bounded by Florin Road on the South and the City of Sacramento on the East, North and West.

*Wholesale Unit Rate:* The cost per unit quantity of potable water delivered by City to Company under this Master Agreement, as provided in Section 9a, below.

*Wholesale Use Charge:* The cost billed by the City to Company for a measured volume of water delivered to Company using both Firm Capacity and Non-Firm Capacity, at the Wholesale Unit Rate, as provided in Section 9a, below.

*Wholesale Water Charge:* The sum of the Wholesale Use Charge and Service Charge, billed by the City to Company for water delivered to Company using Firm Capacity, as provided in Section 9a, below.

*Wholesale Water Service:* The City's delivery of potable water from the City Transmission Facilities to the Service Connection(s) in accordance with the provisions of this Master Agreement.

#### **4. Delivery Criteria:**

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

#### **5. Maximum Deliveries:**

a. The rate of water delivery under this Master Agreement utilizing Firm Capacity shall not exceed the amount of Firm Capacity to provide Wholesale Water Service that has been purchased by Company by paying Connection Fees as provided in Section 9b below, which shall not exceed the maximum instantaneous rate specified for Firm Capacity in the Delivery Criteria. The rate of water delivery under this Master Agreement utilizing Non-Firm Capacity shall not exceed the maximum instantaneous rate specified for Non-Firm Capacity in the Delivery Criteria. As used in this Section 5, the term "Firm Capacity" also shall include any Additional Firm Capacity for which Connection Fees are paid, pursuant to Section 9b, below.

b. The Parties recognize that certain actions and conditions specified in the

Comprehensive Settlement Agreement must move forward to allow this Agreement to move forward, and that certain of those actions and conditions are beyond the control of the Company and that the failure, non-occurrence, challenge to and/or non-performance of those actions or conditions may prevent the Company from purchasing the Firm Capacity to provide Wholesale Water Service anticipated under the Comprehensive Settlement Agreement and this Master Agreement. Such actions or conditions include the Company's receipt of State Funds of at least \$3,720,000 to partially finance the Company's payment of Connection Fees pursuant to Section 9b below, and the Company's receipt of any governmental permits and authorizations necessary for implementation of the Comprehensive Settlement Agreement (including CEQA and/or NEPA compliance as may be required for such permits and authorizations). The Company also may be prevented from purchasing this Firm Capacity if the PUC modifies any of the material provisions of the Comprehensive Settlement Agreement before Firm Capacity is purchased, and specifically modifications to the financial provisions of the Comprehensive Settlement Agreement, which will prevent the Company from performing under this Agreement. City shall have no obligation to provide any Wholesale Water Service for which the Company has not purchased Firm Capacity by paying Connection Fees as provided in Section 9b below, and Company shall have no obligation under this Agreement until the occurrence of the Due Date, as defined in Section 9b(3)(i) below.

- c. The City shall divert, treat and deliver potable water to Company in accordance with the terms of this Master Agreement and the Delivery Criteria. Such deliveries may be reduced or suspended when the occurrence of an emergency condition requires shutting down any City facility(ies) necessary to do so, provided that such shutdown also prevents the use of such facilities to supply water to the City's other water customers served by such facilities and the City does not have facilities remaining in operation during the shutdown with capacity available to fully supply potable water to the City's other water service customers and to Company in accordance with the provisions of this Master Agreement. The percentage reduction in Firm Capacity water deliveries to Company during such condition will not exceed the percentage reduction in deliveries to other City wholesale and retail water customers being served by the same City facilities as Company (excluding customers that may reasonably be classified by City as receiving water service essential to maintain public health and safety, such as a hospital).
- d. Notwithstanding any other provision of this Master Agreement to the contrary, consistent with the provisions of the Water Forum Agreement, no water diverted or treated at the Fairbairn Plant will be delivered to Company under this Master Agreement when the City's diversions at the Fairbairn Plant are restricted or limited, or the diversion of water for Company would cause the City's diversions to be restricted or limited, by diversion restrictions incorporated in the City's American River water right permits. These Water Forum diversion restrictions, as well as the Water Forum conditions applicable to wholesale water service from the Fairbairn Plant, are shown on **Exhibit D** to this Master Agreement.

- e. During periods when water diverted and treated at the Fairbairn Plant cannot be delivered to Company, as specified in subsection d, above, Firm Capacity to divert and treat City Water for delivery to Company under this Master Agreement shall be provided by the Sacramento Plant or by other City surface water facilities.

**6. Services Performed by the City:**

The City will provide Wholesale Water Service to Company in accordance with the terms of this Master Agreement. City Water delivered to Company under this Master Agreement will be provided from the City Transmission Facilities to Company Water Facilities at one or more Service Connections. The City will provide Company with the City's water quality testing data on an annual basis or on such other schedule as may be agreed to by the Parties, or as may be required by Company to meet the requirements of regulatory agencies.

**7. Wholesale Water Service:**

a. Wholesale Water Procedure:

- (1) Subject to satisfaction of Company's obligations under this Master Agreement, City Water shall be wholesaled to Company in accordance with the terms of this Master Agreement and the Delivery Criteria.
- (2) All City Water delivered to the Service Connection(s) shall meet the drinking water standards established by DHS and/or the USEPA pursuant to applicable laws and regulations. Company shall have sole responsibility for compliance with such standards for City Water wholesaled pursuant to this Master Agreement after the water is delivered to the Service Connection(s).

b. Water Wholesaling Requirements:

- (1) Company shall be solely responsible for:
  - (i) obtaining any permits or other approvals required for the delivery and use of City Water within the Wholesale Service Area, including compliance with all applicable laws and regulations; and
  - (ii) compliance with any present or future statutory and/or regulatory conditions or requirements that apply to or are imposed on the delivery and use of City Water within the Wholesale Service Area, including any measures which are imposed to mitigate potential impacts through CEQA, Federal Reclamation Laws, NEPA and the Federal and State Endangered Species Acts.
- (2) The City shall not be responsible for any costs associated with obtaining any such permits or other approvals for, or complying with any such conditions or requirements applicable to, the delivery and use of City Water within the

Wholesale Service Area, and Company shall pay any and all such costs. The City will cooperate, consistent with applicable laws, regulations and ordinances and the provisions of this Master Agreement, with Company and all regulatory agencies, including the PUC, in connection with Company's obtaining of permits or other approvals, or compliance with conditions imposed above, including but not limited to providing data required by these regulatory agencies.

- (3) Notwithstanding subsections (1) and (2), above, the City shall not be relieved of any separate obligations to obtain permits or approvals, or comply with conditions or requirements, at City's own expense, to the extent such permits, approvals, conditions or requirements would apply to City if this Master Agreement for Wholesale Water Service did not exist.
- (4) Water treated and delivered to Company under this Master Agreement shall be used by Company within the Wholesale Service Area for purposes of use authorized under City Water Rights and Entitlements, and will not be used by Company for any other purpose.
- (5) Wholesale Water Service shall be provided in accordance with all operating, engineering and water supply requirements set forth in this Master Agreement and the Delivery Criteria. If the City determines in the exercise of reasonable discretion that a suspension of water service under this Master Agreement is necessary due to a condition that poses an immediate threat to public health or safety, such service may be suspended by City without notice for the duration of such condition. The City shall notify Company as soon as is practicable (as specified in the Delivery Criteria), but in no case more than 2 hours following suspension of service (unless notice within 2 hours is not possible due to the emergency condition), of any suspension of service, the reason for such suspension, and an estimate of when such service will be restored.
- (6) Company shall perform all evaluation, monitoring, testing and reporting required of a consecutive water system under applicable federal and/or state regulations, including but not limited to the Stage 2 Disinfectants and Disinfection Byproducts Rule's "Initial Distribution System Evaluation," and shall coordinate Company's water monitoring with the monitoring conducted by City. Company shall be responsible for the cost of re-sampling and/or re-testing required by any regulation to the extent resulting from Company's failure to conduct required monitoring or otherwise fully comply with the regulations.
- (7) If Company cannot meet any drinking water standard(s) as a result of the delivery of City Water within Company's own water system, upon Company's request, City staff shall meet with Company staff to determine whether Company's inability to meet such standard(s) could be remedied by

any feasible capital facility improvement(s) to City facilities used to treat and deliver City Water to the Service Connection(s) and/or by any feasible modifications to the operation of City facilities used to treat such water; provided that even if the City and Company agree that such capital improvement(s) or operational modification(s) are possible, the City shall have no responsibility whatsoever to construct any such improvements or undertake any such modifications unless and until the City and Company agree in writing upon all relevant terms and conditions, including terms specifying how such improvements and/or modifications will be funded and paid for. Neither the construction of any such capital improvements nor the implementation of any such operational modifications shall relieve Company of sole responsibility for compliance with all federal and state drinking water standards applicable to City Water wholesaled pursuant to this Master Agreement after the water is delivered to the Service Connection(s).

**8. Obligations of Company:**

- a. Company will take delivery of the potable water made available by the City pursuant to the Delivery Criteria. Notwithstanding the foregoing, Company is obligated to pay the Wholesale Use Charge specified in Section 9a only for metered deliveries of City Water at the Service Connections.
- b. Company will pay any and all costs associated with diverting, treating and delivering water to Company pursuant to this Master Agreement, as set forth in Sections 9 and 10 of this Master Agreement.
- c. Notwithstanding any provisions in this Master Agreement to the contrary, Company shall have no liability or obligation to pay for any costs incurred by the City to retrofit the City's retail water service connections with water meters.
- d. City shall have no obligation to provide any Wholesale Water Service for which the Company has not purchased Firm Capacity by paying Connection Fees as provided in Section 9b below, and Company shall have no obligation under this Agreement until the occurrence of the Due Date, as defined in Section 9b(3)(i) below.

9. **Cost Allocation and Payment:**

The cost allocations and payment for any City Water delivered pursuant to this Master Agreement will be governed by this Section.

a. **Monthly Charges**

- (1) Firm Capacity: Company will be charged a monthly Wholesale Water Charge for potable water delivered by the City using Firm Capacity or Additional Firm Capacity. The Wholesale Water Charge shall consist of: (i) a Wholesale Use Charge calculated on the Wholesale Unit Rate basis (the cost-per-unit quantity) for water actually delivered; and, (ii) a monthly Service Charge that shall include fixed administrative costs incurred by City in connection with administration of this Master Agreement. The Service Charge shall be paid irrespective of the quantity of water delivered. The Wholesale Water Charge will be determined by the City in an equitable manner such that Company neither subsidizes nor is subsidized by any other City customer or contractor. The Wholesale Unit Rate shall include the City's annual operating, maintenance and repair costs and capital improvement costs (not including any Capital Costs included in Connection Fees that are due and payable) projected for the applicable Fiscal Year, a water loss factor of up to ten percent (10%) and an equitable proration of appropriate overhead distribution, but in no event will the Wholesale Unit Rate exceed such costs for water diversion, treatment and conveyance divided by the number of gallons produced. The costs included in the Wholesale Unit Rate will also include any costs attributable to any applicable limitation, requirement, modification or other condition that applies, or that may in the future be applied, to any of the City Water Rights and Entitlements, but will exclude those costs that have no relationship to wholesaling potable water to Company, such as unrelated distribution system expenses. Except for the increased Wholesale Unit Rate charged for exceeding the maximum instantaneous rates specified in the Delivery Criteria pursuant to subsection a(5), below, in no case shall the Wholesale Unit Rate exceed the highest retail unit rate charged to the City's metered commercial water service accounts. The Wholesale Unit Rate and the monthly Service Charge for the Fiscal Year (FY) 2006-2007 are shown on **Exhibit E** to this Master Agreement.
- (2) Non-Firm Capacity: For potable water delivered by the City using Non-Firm Capacity, Company shall be charged a monthly Wholesale Use Charge calculated on the Wholesale Unit Rate basis (the cost-per-unit quantity) for water actually delivered.
- (3) The City will adjust the Service Charge and Wholesale Unit Rate annually to reflect actual costs for the preceding Fiscal Year and projected cost increases or decreases for the current Fiscal Year. If such actual costs exceeded the

costs projected for the preceding Fiscal Year, Company shall pay such additional costs as part of the adjusted charge and/or rate, and Company will be provided a credit if such actual costs were less than the costs projected for the preceding Fiscal Year. City shall support such adjustment with a budget and reasonable supporting data.

- (4) The quantity of water actually delivered pursuant to this Master Agreement shall be measured by the City at the Service Connection meter(s). Billing procedures and payment for water will be in accordance with the City's standard practice. The above charges will be in addition to the Connection Fees charged for Firm Capacity and Additional Firm Capacity as specified in subsection b, below.
  
- (5) If the rate of water delivery to Company exceeds the aggregate maximum instantaneous rate specified for Firm Capacity in the Delivery Criteria (referred to in this subsection (5) as the "Maximum Rate"), the Wholesale Unit Rate paid by Company for the amount of City Water received by Company in excess of the Maximum Rate shall be five (5) times the regular Wholesale Unit Rate. This provision shall not be interpreted to authorize or sanction a repeated practice of water delivery exceedences (as defined below). If a repeated practice of water delivery exceedences develops, as reasonably determined by the City, the City shall notify the Company of such repeated practice and Company shall implement measures to prevent the practice from continuing. If such practice continues after notice from City, Company shall be allowed 30 days after the City provides written notice to Company of such continuing practice (unless the City agrees to an alternative payment schedule), to purchase Additional Firm Capacity for Company's water delivery exceedences by paying Connection Fees for such Additional Firm Capacity calculated in accordance with section 9b(1), below. If the Company elects not to purchase such Additional Firm Capacity as provided in this subsection (5), the City may in its discretion modify the Service Connection facilities as deemed necessary by City to prevent water deliveries to Company from exceeding the Maximum Rate, and the cost incurred by City to make such modifications shall be paid by Company within thirty (30) days after City provides a written invoice for such cost to Company, unless the City agrees to an alternative payment procedure. For purposes of this subsection (5), a "repeated practice of water delivery exceedences" shall mean reoccurring deliveries of City Water to the Company in excess of the Maximum Rate, not including (i) excess water deliveries made solely to provide adequate water pressure during a fire emergency, nor (ii) excess water deliveries occurring during the period of time reasonably required by Company to maintain water deliveries below the Maximum Rate by manually reducing pumping at one Service Connection after the Company has manually increased pumping at the other Service Connection in response to the operational demands of Company's water system.

b. **Connection Fees**

- (1) Company will pay Connection Fees for its share of Capital Costs for Firm Capacity in the City's diversion, treatment and transmission facilities that will be used to provide potable water to Company under this Master Agreement, which fees will include reasonable administrative costs. Administrative costs shall include only those costs associated with the administration of City's water diversion, treatment and transmission facilities. The City will adjust the Connection Fee amount annually at the commencement of each Fiscal Year to include the Capital Costs to be incurred for that Fiscal Year, and such adjusted Connection Fee shall apply to any increment of Firm Capacity for which Connection Fees become due during that Fiscal Year. City shall support such adjustment with a budget and reasonable supporting data for the Capital Costs to be incurred for that Fiscal Year. The Connection Fee for FY 2006-2007 for the use of 1 mgd of Firm Capacity is shown on **Exhibit F** to this Master Agreement. The Parties acknowledge and agree that nothing contained herein shall be interpreted to require the Connection Fees established under this Master Agreement to be the same as the connection fees charged to any other person or entity receiving water service from the City.
- (2) Notwithstanding the foregoing, consistent with the provisions of the Comprehensive Settlement Agreement, the Connection Fees charged for the first 3.24 million gallons per day (mgd) of Firm Capacity purchased by Company shall not exceed a total amount of \$5,700,000.00, if the payment specified in subsection b(3)(i) below, and the first installment payment specified in subsection b(3)(ii) below, are made to City not later than June 29, 2007, provided that the City will extend this date to accommodate the State's disbursement schedule if the State does not disburse the State Funds to the Company prior to June 29, 2007. If these payments are not paid by this date, this subsection b(2) shall no longer be operative and shall have no further force or effect.
- (3) The Company shall pay City the Connection Fees charged for the first 3.24 mgd of Firm Capacity purchased by Company as follows:
  - (i) Company shall pay City not less than the amount of \$3,720,000.00 on the date that Company requests to purchase such increment of Firm Capacity (hereafter the "Due Date").
  - (ii) Company shall pay the remainder of Connection Fees due for such increment of Firm Capacity in equal annual payments over a financing period of 20 years, with the first payment on the Due Date, and subsequent payments due not later than each annual anniversary of the Due Date. Such payments shall include an annual interest rate

equal to the average gross rate that the City received on its Pool A funds for the preceding 12 month period, calculated on the Due Date and on each annual anniversary thereafter.

- (4) Company at any time may request an amendment to the Delivery Criteria, as allowed under Section 4 above, to provide for Wholesale Water Service utilizing Firm Capacity in excess of the 3.24 mgd of Firm Capacity that is referenced in the Comprehensive Settlement Agreement and is specified as the maximum instantaneous rate in the Delivery Criteria (hereafter referred to as “Additional Firm Capacity”). City will agree to such amendment only if and to the extent that the City determines, in its sole discretion and after considering the Company’s water supply demands and facilities as well as the capacity demands of the City’s other water service customers, that:
  - (i) Company has a present need for such Additional Firm Capacity (as defined in subsection b(6) below); and
  - (ii) the City’s Treatment and Transmission Facilities have sufficient capacity available to: (1) meet the demands of the City’s retail water service customers as of the date of Company’s request and for a period of 5 years thereafter, based on the City’s demand projections; (2) meet the City’s commitments as of such date to the City’s wholesale and wheeling water service customers; and, (3) also provide such Additional Firm Capacity for Wholesale Water Service to Company.
- (5) Connection Fees for Additional Firm Capacity shall be determined in the same manner as Connection Fees for Firm Capacity. Company’s payment of Connection Fees for any Additional Firm Capacity approved by City in accordance with subsection b(4) above, shall be made not later than 30 days after the Delivery Criteria amendment approving Wholesale Water Service utilizing such Additional Firm Capacity is executed by both Parties, unless the City agrees to an alternative payment procedure.
- (6) As used in subsection b(4)(i) above, the term “present need for such Additional Firm Capacity ” shall mean that the Company will fully utilize such Additional Firm Capacity within 1 year.
- (7) Notwithstanding any contrary provision of this Agreement, the Company’s purchase of Firm Capacity or Additional Firm Capacity by paying Connection Fees for such Firm Capacity or Additional Firm Capacity as provided herein shall not grant or convey, nor be interpreted as a grant or conveyance of, any right, title or other interest in any of the City Treatment or Transmission Facilities, other than entitling Company to receive Wholesale Water Service from City as provided in this Master Agreement,

and City shall maintain sole title to, and sole possession and control of, the City Treatment and Transmission Facilities.

**10. Service Connections:**

- a. Potable water delivered to Company under this Master Agreement will be provided from the City Transmission Facilities to the Company Water Facilities at one or more Service Connections to be designed and constructed by the Company, at such location(s) as may be determined by mutual written agreement of the City's Director of Utilities and Company's General Manager.
- b. Company will be wholly responsible for designing, bidding and constructing the Service Connection(s), as well as obtaining all permits, property rights or other approvals required for the installation, operation, maintenance and repair of the Service Connection(s) in compliance with all applicable laws and regulations. Such activities will be paid for entirely by Company, and will be subject to the following requirements:
  - (1) Prior to the construction of any Service Connection by Company, both the preliminary design and the final design must be approved in writing by the City Director of Utilities. Such approval will not be unreasonably withheld. If either or both the preliminary design or final design is not approved by the City Director of Utilities, the City will notify Company in writing of the reason or reasons why such design is not acceptable, and Company will perform such revisions as may be necessary to obtain the approval of the City.
  - (2) In addition to paying its own costs, Company will reimburse the City for reasonable costs incurred by the City during the design and construction of the Service Connection by Company. Upon completion of construction of the Service Connection, and the resolution of any claims, disputes or litigation related to its design or construction, including claims or litigation related to the acquisition of permits, property rights or other approvals, claims or litigation related to the preparation or approval of environmental documents, stop notice claims or litigation, and contract claims or litigation, the City will provide Company with a detailed statement of any and all costs actually incurred by the City to review, inspect or otherwise participate in the design and construction of the Service Connection. Such statement will also include any and all costs reasonably incurred by the City with regard to any of the claims, disputes or litigation described above, including any and all costs related to the settlement of any such claims, disputes or litigation, provided that any such settlement was approved in advance by Company staff, and provided further that such approval will not be unreasonably withheld; such costs shall not include any costs incurred as a result of the negligence or willful misconduct of City, its officers or employees.

Company will pay the costs identified on such statement no later than six weeks after the City provides such statement to Company.

- (3) Notwithstanding anything contained herein to the contrary, Company will reimburse the City for any and all reasonable costs incurred by the City in connection with the design of any proposed Service Connection by Company, even if the preliminary or final design is not approved or if such Service Connection is not constructed; such costs shall not include any costs incurred as a result of the negligence or willful misconduct of City, its officers or employees.
- c. The City will own, operate, maintain and repair all facilities associated with the Service Connection, including flowmeter, flow transmitter, pressure transmitter, valve, S.C.A.D.A. and electrical pedestal. As part of such operation, maintenance and repair, the City will calibrate instrumentation at reasonable scheduled intervals, at least annually, and will report such calibration as requested by Company. The City shall notify Company at least 48 hours in advance of calibration activities and Company representatives may be present during calibration. If such facilities are constructed by Company, upon the completion and City acceptance of such facilities, Company will dedicate to the City (1) clear title to such facilities, and (2) permanent access rights to operate, maintain and repair such facilities. All operation, maintenance and repair costs incurred by the City will be reimbursed by Company by including such costs in the Wholesale Unit Rate paid by Company under Section 9a, above. For metering errors in excess of 2 percent, the Wholesale Water Charge shall be adjusted upward or downward, as appropriate.
- d. Company will design, construct, own, operate and maintain all facilities downstream of the Service Connection, including flow control and surge control facilities to mitigate the effects of flow stoppage. Company will submit plans for surge control facilities for review and approval of the City prior to construction, which approval will not be unreasonably withheld.
- e. Unless required by the City's Director of Utilities or otherwise required by law or regulation, backflow prevention devices will not be required at the Service Connections provided that (i) Company has a backflow prevention program meeting State regulations, and (ii) all Company Water Facilities within the Wholesale Service Area meet the standards of the California Department of Health Services and U.S. EPA.
- f. Although delivery pressure cannot be guaranteed under all circumstances, delivery pressure at the Service Connection(s) will be maintained above a minimum of 30 pounds per square inch ("psi"), and below a maximum of 80 psi, under normal operating conditions. The City will not be obligated to supply water to any or all Service Connections at a cumulative rate exceeding the maximum instantaneous rate set forth in the Delivery Criteria.

**11. Term of Agreement:**

This Master Agreement will become effective on the Due Date, as defined in Section 9b(3)(i), and will continue in full force and effect unless terminated as provided herein or by operation of law.

**12. Failure to Deliver Water:**

It is understood and agreed that, while the City will use all reasonable efforts to treat and convey water pursuant to the terms of this Master Agreement, the City is not warranting or guaranteeing that it will be able to divert, treat, store and/or deliver water when prevented from doing so due to an emergency or other circumstances beyond the City's direct control, nor will the City be liable for any failure to deliver water to Company hereunder, provided such failure is caused in whole or in part by an emergency condition or other factors beyond the direct control of the City.

**13. The City Water Rights and Entitlements:**

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

**14. Fluoridation:**

Company acknowledges that potable water delivered to Company will contain fluoride, and agrees that Company will be solely responsible for: (1) any public notification to all or any portion of the Wholesale Service Area that the water provided hereunder has been treated with fluoride; and (2) for all costs associated with or resulting from the introduction of fluoridated water into the Company Water Facilities, including monitoring and testing costs.

**15. Notices:**

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

City:

Director, Department of Utilities  
City of Sacramento  
1395 35<sup>th</sup> Avenue  
Sacramento, CA 95822  
Electronic mail: [greents@cityofsacramento.org](mailto:greents@cityofsacramento.org)

Company:

Fruitridge Vista Water Company  
Attention: General Manager  
1108 2<sup>nd</sup> Street  
Sacramento, CA 95814  
Electronic mail: bcook@fruitridgevista.com

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

**16. Indemnification and Defense:**

- a. By Company: Company will fully indemnify, hold harmless and defend the City, its officers and employees, from any claims, actions or liability for any damages, any injury to persons or property, or any violation of any law or regulation, occurring by reason of anything done or omitted to be done by Company, its officers, employees, contractors or agents under this Master Agreement. Except as specified in subsection b, below, Company will fully indemnify, hold harmless and defend the City, its officers and employees from any claims, actions or liability for any damages, any injury to persons or property, or any violation of any law or regulation, occurring by reason of any action taken by the City, its officers or employees, if such action is required or authorized under this Master Agreement, except to the extent such damages, injury, or violation resulted from the negligent or wrongful acts of the City.
- b. By City: Notwithstanding anything to the contrary herein, the City will fully indemnify, hold harmless and defend Company, its officers and employees, from any claims, actions or liability for any damages, any injury to persons or property, or any violation of any law or regulation, occurring by reason of anything done or omitted to be done by the City, its officers, employees, contractors or agents in connection with the processing, treating or conveyance of water by the City Treatment and Transmission Facilities. Such duty to indemnify, hold harmless and defend will include all claims, actions or liability occurring by reason of anything done or omitted to be done by the City in connection with any delivery by the City to the Service Connection(s) of water that fails to comply with the definition of potable water contained herein.

**17. Dispute Resolution:**

- a. Disputes: If a dispute arises concerning any controversy or claim arising out of or relating to this Master Agreement or the breach thereof, or relating to its application or interpretation, the aggrieved party will notify the other party(ies) of the dispute in writing within twenty days after such dispute arises. If the Parties fail to resolve the

dispute within sixty days after delivery of such notice, each party will promptly nominate a senior officer of its organization to meet at any mutually-agreed time and location to resolve the dispute. The Parties shall use their best efforts to reach a just and equitable solution satisfactory to all Parties. Should the Parties be unable to resolve the dispute to their mutual satisfaction within sixty days thereafter, the dispute will be subject to arbitration, pursuant to subsection b., below. The time periods set forth in this section are subject to extension as agreed to by the Parties.

- b. Arbitration: A dispute that is not resolved in accordance with subsection a., above, will be subject to arbitration by an arbitrator in Sacramento, California, provided, however, that each party reserves the right to file with a court of competent jurisdiction an application for temporary or preliminary injunctive relief on the grounds that the arbitration award to which the applicant may be entitled may be rendered ineffectual in the absence of such relief. Except as otherwise provided herein, the arbitration will be conducted under and will be subject to the provisions of the California Arbitration Act (Code of Civil Procedure sections 1280 through 1294.2). The Parties in the arbitration will select a single, qualified, neutral arbitrator. If they cannot agree on an arbitrator, or an alternative selection process, the Parties will request that the Presiding Judge of the Sacramento County Superior Court select an arbitrator in accordance with the provisions of section 1281.6 of the Code of Civil Procedure.

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

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

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

**18. Records Inspection:**

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

**19. Amendments:**

No amendment or modification to this Master Agreement will be valid unless executed in writing and duly approved by the Parties.

**20. No Third-Party Beneficiary:**

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

**21. Exhibits Incorporated:**

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

**22. Remedies for Non-Performance:**

Either party may suspend performance under this Master Agreement if, and during the period while, the other party fails to perform a material provision of this Master Agreement, provided that the party suspending performance shall provide written notice to the other party that it is suspending performance or that it will suspend performance subject to specified conditions and/or on a specified date. Such notice shall describe how the other party failed to perform a material provision of this Master Agreement. Upon delivery of such notice, both Parties shall use their best efforts to resolve the dispute by following the procedures set forth in Section 17(a) above. Should the Parties be unable to resolve the dispute as provided under Section 17(a), the dispute shall be subject to arbitration in accordance with the provisions of Section 17(b) above. In any suit, action or proceeding in state or federal court, the Parties' remedies shall be limited to specific performance,

monetary damages, and injunctive or other provisional relief necessary to avoid irreparable damage or to maintain the status quo. Termination of this Master Agreement is not an available remedy for breach.

**23. General Provisions:**

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

Date: \_\_\_\_\_, 2007

**CITY OF SACRAMENTO**

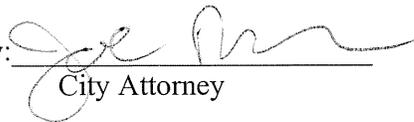
Attest:

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

By: \_\_\_\_\_  
City Clerk

Title: \_\_\_\_\_

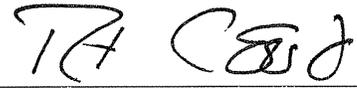
Approved as to Form:

By:   
City Attorney

Date: FEBRUARY 27, 2007

**FRUITRIDGE VISTA  
WATER COMPANY**

Attest:

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

By:   
Secretary

Title: GENERAL MANAGER

**List of Exhibits:**

Exhibit A: Comprehensive Settlement Agreement

Exhibit B: Wholesale Service Area

Exhibit C: Delivery Criteria

Exhibit D: Water Forum Diversion Restrictions

Exhibit E: 2006-2007 Wholesale Unit Rate and Service Charge

Exhibit F: 2006-2007 Connection Fee

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Exhibit A  
Comprehensive Settlement Agreement

**SETTLEMENT AGREEMENT FOR A COMPREHENSIVE SOLUTION  
TO THE FRUITRIDGE VISTA WATER SUPPLY SITUATION**

This agreement is designed to provide a comprehensive solution to Fruitridge Vista Water Company's current water supply problems, including resolution of compliance issues addressed in the California Department of Health Services (DHS) Compliance Order No. 01-09-05-CO-002 issued August 29, 2005, which was caused by MTBE contamination, and the Central Valley Regional Water Quality Control Board Order issued January 2003, and to develop new water supply to allow Fruitridge Vista to serve current users and new development projects in its service territory.

To address the DHS Compliance Order it is expected that approximately 2100-2300 gallons per minute (gpm) of alternative supply is necessary to replace supply from Wells 1, 2, and 12 that has been lost to contamination, and to conform with criteria for capacity redundancy. To address new development needs, approximately 1300 gpm is needed to supply new development projects that are already identified. The parties agree that all of the supply needs should be addressed now because implementation of a comprehensive solution will be less costly than pursuing piecemeal supply solutions.

The comprehensive solution consists of two new interconnections with the City of Sacramento, purchase of water from the City of Sacramento as needed, construction of three new wells, and associated piping and pressure infrastructure and is estimated to cost \$12.0 million. In addition, Fruitridge Vista agrees to destruction of Wells 1, 2, 11, and 12, per DHS request, which will

occur after testing consistent with the requirements of the RWQCB Order. As a result of the mediation efforts, Fruitridge Vista has already begun the process of pursuing necessary regulatory approvals from DHS to implement this comprehensive solution to the supply issues caused by MTBE contamination. Fruitridge Vista has also begun discussions with the City of Sacramento regarding the specific cost, timing, and payment terms of its buy-in, interconnection, and water purchase costs with the City. DHS Northern California Field Office issued its preliminary approval of well locations included in the comprehensive solution on January 17, 2006. Fruitridge Vista will submit detailed design plans and specifications for test wells 45 days after the well locations are approved. DHS will review the detailed design plans and specifications submitted by Fruitridge Vista within 30 days of its receipt of same and will either issue its approval or advise Fruitridge Vista of deficiencies in the plans within that 30 day review period. Fruitridge Vista will provide DHS with all information necessary to cure any such deficiencies within 10 days of its notification by DHS. Fruitridge Vista will begin construction of the comprehensive solution no later than 45 days after DHS approval of detailed design plans and specifications. Notwithstanding the foregoing, Fruitridge Vista agrees not to commence construction of the solution until it is notified by DHS that all required environmental review (including but not limited to CEQA compliance) has been completed. Based on the schedule committed to by DHS and Fruitridge Vista, Fruitridge Vista will begin construction of the comprehensive solution in May 2006 and the solution will be in place in the summer of 2007, barring circumstances not within the control of Fruitridge Vista.

The comprehensive solution costs are made up of \$6.3 million in infrastructure costs and \$5.7 million associated with the right to purchase water from the City of Sacramento. Funding for the

comprehensive solution will come from the following sources: DHS Drinking Water Treatment and Research Fund, a new special facilities fee, an expected 20-year financing agreement with the City of Sacramento, an expected State Revolving Fund zero interest loan, and ratepayers. The allocation and details of implementation are described below. The signatories to this agreement have reviewed the cost documentation prepared by Fruitridge Vista and discussed other potential solutions, and agree that the comprehensive solution presented here is the least cost solution available, has limited ratepayer impacts appropriately, is based on reasonable cost assumptions, and supports future system improvements.

In order to construct the comprehensive solution on the schedule agreed to, commitments for \$5.5 million in funding have been as part of the mediation process. Payment of \$5.5 million must be made to Fruitridge Vista between May 2006 and November 2006, with a clear source for an additional \$0.8 million in payments between May 2006 and March 2007. The upfront funding relies on a combination of funding from the DHS Drinking Water Treatment and Research Fund and a new special facilities fee.

The settlement assumes the City of Sacramento will finance up to 1.13 million gallons per day (MGD) of the buy-in fee it charges via a 20-year financing agreement at the City of Sacramento's Pool A rate, with 2.11 MGD funded outright by the Drinking Water Treatment and Research Fund and a Safe Drinking Water Revolving Fund loan. The City of Sacramento does not require upfront payment for additional capacity that may be needed by Fruitridge Vista if other potential growth occurs, until such time as that growth actually develops. The buy-in fee constitutes \$5.7 million of the \$12.0 million comprehensive solution cost. As a condition of this

settlement, the City of Sacramento and Fruitridge Vista will execute the standard wholesale water agreement.

DHS issued its commitment letter for \$4.54 million from the Drinking Water Treatment and Research Fund on February 2, 2006 to fund replacement of water supply from Wells 1 and 2, contaminated with MTBE, and an additional \$0.57 million for testing and destruction of Wells 1, 2, 11, and 12, also contaminated by MTBE. Drinking Water Treatment and Research Funds may only be used to cure the existing supply and pressure problems caused by MTBE contamination, not fund new growth, are subject to availability, and pursuant to Health and Safety Code Section 116367(g), no more than \$3.0 million can be provided in each fiscal year. The relevant fiscal year ends June 30, 2006 and sufficient funds are currently available to provide the parties confidence that \$4.54 million will be available on the time schedule required. Funding from the Drinking Water Treatment and Research Fund will be available to Fruitridge Vista upon Fruitridge Vista's execution of a funding agreement with DHS, and will be available in accordance with the terms of said agreement and in compliance with the Drinking Water Treatment and Research Fund Law (Health & Safety Code 116357 et seq). Fruitridge Vista continues to aggressively pursue cost recovery from parties potentially responsible for the MTBE contamination of its drinking water supply. If Fruitridge Vista is successful in its litigation, it will reimburse DHS for that specific funding provided to it from the Drinking Water Treatment and Research Fund in accordance with Health & Safety Code 116367 (f). For example, should Fruitridge Vista recover \$5 million for MTBE contamination, which qualifies for funding under Health & Safety Code Section 116367(f), Fruitridge Vista will reimburse DHS for that specific funding recovered from the responsible party.

The residential special facilities fee rate is derived by dividing the incremental new supply cost for new development of \$3.87 million by the number of currently planned new development residential units (550 units). The commercial special facilities fee utilizes the same formula for new projects as the County of Sacramento. The special facilities fees would normally be payable upon issuance of a building permit by the County of Sacramento. The tariff sheets in Attachment A are designed to implement this special facilities charge.

As a result of the Settlement, Fruitridge Vista will no longer seek a moratorium on service connections and will provide unconditional will serve letters to developers seeking them within 10 days after approval of settlement. In order to support installation of new infrastructure, several developers have agreed to make payments for special facilities fees to Fruitridge Vista on a schedule independent of the actual date of issuance of building permits. Mercy Housing will pay \$560,000 in special facilities fees to Fruitridge Vista on or before June 30, 2006 based on 80 residential unit permits. Victoria Station, LLC will pay \$140,000 in special facilities fees to Fruitridge Vista on or before August 15, 2006, \$70,000 on or before September 15, 2006, \$70,000 on or before October 15, 2006, and \$70,000 on or before November 15, 2006 based on 50 residential unit permits. Saia will pay \$232,183 in special facilities fees to Fruitridge Vista on or before July 15, 2006. Soccer Planet will pay \$139,199 in special facilities fees to Fruitridge Vista on or before June 30, 2006. The Sacramento Housing and Redevelopment Agency will advance \$420,000 in special facilities fees to Fruitridge Vista on June 30, 2006. These payments are due on the date specified above unless a building permit is issued earlier, in which case payment of the specified special facilities fees is due upon issuance of said building permit.

The County of Sacramento agrees that it will not grant a building permit without payment of the said fee to Fruitridge Vista Water Company. Named developers who are issued permits based on a higher number of units, greater acreage, or increased meter size will owe additional special facilities fees for the incremental increase in units or size upon granting of a building permit. The specific dollar figures above are calculated based on the number of residential units permitted multiplied by \$7,000 that are reasonably expected to be issued a building permit before year end or based on the formula if a commercial property. The Sacramento Housing and Redevelopment Agency fees will be advanced, prior to it being issued a building permit, based on a project size of 60 units. Upon issuance of a building permit, the Sacramento Housing and Redevelopment Agency will only be required to pay a special facilities fee for units in excess of the 60 units used to calculate the advance. Other developers not named herein will be charged a special facilities fee, payable to Fruitridge Vista upon granting of a building permit for a project located in Fruitridge Vista's service territory. The amount of this fee will be \$7,000/residential, or as set forth in Attachment A, except that the fee may be increased by a reasonable amount based on any added costs.

As part of its agreement to supply water to Fruitridge Vista, The City of Sacramento will allow Fruitridge Vista to enter into a payment plan for 1.13 MGD of the buy-in fee via a 20-year financing agreement at the City of Sacramento's Pool A rate (currently 3.3%). As described in the tariff language, each month, Fruitridge Vista will place an amount, as described in the attached tariff schedule, collected from each customer, into a trustee account to make payment to the City of Sacramento under the payment plan. Fruitridge Vista shall establish and maintain a

separate bank account, to ensure adequate accountability of deposits and disbursements of the principle and interest payments to the City of Sacramento by Fruitridge Vista. Fruitridge Vista will also pay for purchased water costs when water is taken and actual costs of purchased water will be recoverable from ratepayers.

Fruitridge Vista has applied to the Safe Drinking Water State Revolving Fund for a zero interest loan to fund replacement of Well 12 supply, which has not been funded under the DWTRF under Health and Safety Code Section 116367, and other costs associated with curing the existing supply and pressure problems. Fruitridge Vista will aggressively pursue funding from the Safe Drinking Water State Revolving Fund. In the event that Fruitridge Vista obtains a zero interest loan from the State Revolving Fund, those proceeds will pay for 2.11 MGD of buy-in with the City of Sacramento.<sup>2</sup> In no event is Safe Drinking Water State Revolving Funding available to fund water supply necessary to supply growth or potential growth in the Fruitridge Vista service area. The parties further expressly acknowledge that Safe Drinking Water State Revolving Funding is conditioned upon compliance with state and federal Safe Drinking Water State Revolving Fund laws and all applicable rules, guidelines and regulations, certain of which require compliance prior to commencement of construction on the funded project.

Ratepayers will pay off the Safe Drinking Water State Revolving Fund loan through a monthly surcharge, as set forth in Attachment A. Surcharge amounts will be collected by Fruitridge Vista and placed in a trustee account for reimbursement to DHS. Fruitridge Vista shall establish and maintain a separate bank account, to ensure adequate accountability of deposits and disbursements of the Safe Drinking Water State Revolving Fund loan funds advanced by the

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<sup>2</sup> A portion of the Drinking Water Treatment and Research Funds will also be applied to pay for the 2.11 MGD.

Department of Health Services to the utility. Fruitridge Vista shall file with the Water Division a copy of the Safe Drinking Water State Revolving Fund loan agreement within 15 days of execution. The tariff sheets in Attachment A are designed to implement this rate increase effective 30 days after Commission approval of the settlement.<sup>3</sup>

As additional development comes online, the special facilities fees will be applied to physical infrastructure costs and water development costs necessary to serve the growth at Fruitridge Vista's discretion.

Revenue from special facilities fees are contributions for ratemaking purposes. Revenue from the Drinking Water Treatment and Research Fund are initially treated as contributions for ratemaking purposes thus limiting the amount of plant upon which Fruitridge Vista is eligible to earn a return. In the event that Fruitridge Vista is able either to recover monies directly from polluters, or to reimburse the Drinking Water Treatment and Research Fund for funds awarded to it, the parties agree that plant initially funded by these monies or direct investment of such monies into the system, up to \$5.0 million, will be ratebased and earn a return of 10%. Upon either recovery and investment, or reimbursement of Drinking Water Treatment and Research Funds to DHS, Fruitridge Vista will file a Rate Base Offset Advice Letter with the Commission's Water Division to update its ratebase, consistent with this agreement. The purpose of the advice letter will be to provide notice of the update to ratebase and access to documentation of Fruitridge Vista's calculations. California Public Utilities Commission approval of this

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<sup>3</sup> The Settling Parties recognize that Fruitridge Vista may not begin making payments to the City of Sacramento or DHS immediately upon adoption of the Settlement, however, because of the comprehensive nature of the Settlement and the trustee accounts that will hold the funds, for payment, the Settling Parties support implementation of the tariffs within 30 days of adoption of the Settlement.

settlement means that this ratebase treatment of Fruitridge Vista plant, up to \$5.0 million, is not subject to future litigation, either in response to an advice letter or in future general rate cases or otherwise. In the event that Fruitridge Vista is able to either recover monies directly from polluters in litigation and invest the money into the system or reimburse the Drinking Water Treatment and Research Fund of amounts in excess of \$5 million, the parties are free to litigate the appropriate ratemaking treatment of assets financed by those funds in excess of \$5 million. Fruitridge Vista commits that it will spend a minimum of 50% of the return it earns from this ratebase treatment on system improvements.

The parties understand that a buy-in fee for the right to purchase water like Fruitridge Vista will pay to the City of Sacramento is normally considered plant and is therefore eligible to earn a rate of return. The parties agree that, for ratemaking purposes, \$1.98 million of the buy-in fee will be treated as plant, as is customary, at the company's authorized rate of return, 11%. California Public Utilities Commission approval of this settlement means that this treatment of \$1.98 million of the buy-in fee for Fruitridge Vista is not subject to future litigation, either in response to an advice letter or in future general rate cases or otherwise. This rate will allow Fruitridge Vista to collect sufficient revenues through the increased monthly billing rate to pay off the financing extended by the City of Sacramento and have \$80,000 per year remaining. Fruitridge Vista commits to make system infrastructure investments of at least \$80,000 per year with the revenues that it collects from ratepayers that exceed the payments due to the City of Sacramento and associated taxes on the buy-in fee associated with 1.13 MGD. If Fruitridge Vista, at Fruitridge Vista's sole discretion, chooses to use special facilities fees to pay off the financing arrangement with the City of Sacramento, those revenues are considered a contribution and will

reduce the amount of plant associated with the buy-in fee that is eligible to earn a return.

Adjustment to the plant will occur in the next general rate case after such contributions are made.

If special facilities fees outside this comprehensive solution are paid to Fruitridge, Fruitridge Vista will establish a special facilities account that will pay for improvements to the system.

Parties agree that special facilities fees are contributions.

The comprehensive solution is based on the ability of Fruitridge Vista to construct and use three new wells and utilize its existing well system. If three wells cannot be permitted by DHS because of water quality concerns, Fruitridge Vista will diligently pursue an alternative solution with DHS, which may include increasing the amount of the City of Sacramento buy-in and/or the construction of a third interconnection with the City of Sacramento. Increasing the buy-in or constructing a third interconnection with the City of Sacramento will result in higher total costs than the comprehensive solution set forth in the Settlement, and will require additional funding sources to be identified.

Fruitridge Vista will provide notice to its customers of the rate increase embodied in this agreement. Additionally, Fruitridge Vista (as lead) and other parties will hold a public meeting to present the settlement within 14 days after filing or in conjunction with the hearing scheduled by the Commission. Notice of both the rate increase and public meeting will be provided in a manner to ensure reasonable publicity.

When this settlement agreement is approved by the CPUC, Fruitridge Vista confirms that it will no longer seek a moratorium on service connections and agrees to provide unconditional will serve letters to developers seeking them within 10 days after approval of settlement. Fruitridge Vista has conferred with the County of Sacramento to ensure that the will serve letters issued will meet the County's needs for purposes of issuing a building permit.

The signatories agree that the terms of this settlement are specific to the facts of this proceeding and shall not serve as precedent for other proceedings before the Commission involving other parties. In the event the Commission rejects any individual provision of the Settlement Agreement, the parties withdraw the Settlement and seek to litigate the cases.

The signatories request that approval of the settlement agreement by the California Public Utilities Commission constitute approval of the tariffs set forth in Attachment A and that an implementing Advice Letter with the Water Division be considered a compliance filing that is effective on the date filed.

The signatories to this agreement ask the Commission to approve and adopt this settlement agreement in its entirety as a comprehensive solution to solve the California Department of Health Services Compliance Order No. 01-09-05-CO-002 issued August 29, 2005 and the January 2003 Regional Water Quality Control Board Order and to develop new water supply to allow Fruitridge Vista to serve new development projects in its service territory and as resolution of this consolidated proceeding. As a result, the Commission should adopt this settlement agreement and dismiss the complaints and application as moot.



SIGNATORIES



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Robert C. Cook, Jr., General Manager  
D.J. Nelson Trust dba  
Fruitridge Vista Water Company

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Greg Sparks  
Vice President  
Mercy Properties California

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Paul Hahn  
Assistant to the County Executive  
County of Sacramento

---

Allen W. Warren, President  
NEW FAZE DEVELOPMENT, INC.  
A California Corporation  
Managing Member of Victoria Station, LLC

---

Chris Peterson  
Managing Agent  
Park Place, LLC  
Rivendale Project

---

David Gonzalez  
Name  
Title

---

Mike Burger  
Vice President, Maintenance and Properties

Saia Motor Freight Line, Inc.

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Mr. Herrera  
Herrera Family Soccer Complex

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Anne M. Moore  
Executive Director  
Sacramento Housing and Redevelopment  
Agency

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Anne M. Moore  
Executive Director  
Housing Authority of the County of  
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President  
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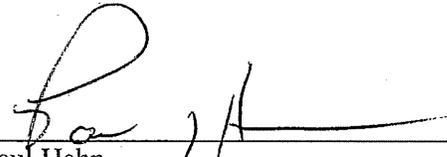
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Housing Authority of the County of  
Sacramento

Allen W. Warren, President  
NEW FAZE DEVELOPMENT, INC.  
A California Corporation  
Managing Member of Victoria Station, LLC

Thomas Alan Feldrnr  
President  
Trench Plate Rental Co.

*Mark Wolfe for:*  
Chris Peterson  
Managing Agent  
Park Place, LLC  
Rivendale Project

David Gonzalez  
Name  
Title

Mike Burger  
Vice President, Maintenance and Properties

SIGNATORIES

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Robert C. Cook, Jr., General Manager  
D.J. Nelson Trust dba  
Fruitridge Vista Water Company

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Greg Sparks  
Vice President  
Mercy Properties California

---

Paul Hahn  
Assistant to the County Executive  
County of Sacramento

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Managing Agent  
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Rivendale Project

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David Gonzalez  
Name David R. Gonzalez  
Title Sole Proprietor

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Mike Burger  
Vice President, Maintenance and Properties  
Saia Motor Freight Line, Inc.

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Ramon Herrera, President  
Soccer Planet, Inc., a California corporation

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Consuelo Herrera, Secretary  
Soccer Planet, Inc., a California corporation

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Anne M. Moore  
Executive Director  
Sacramento Housing and Redevelopment  
Agency

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Anne M. Moore  
Executive Director  
Housing Authority of the County of  
Sacramento

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Thomas Alan Feldmar  
President  
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SIGNATORIES

Saia Motor Freight Line, Inc.

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Robert C. Cook, Jr., General Manager  
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Mr. Herrera  
Herrera Family Soccer Complex

---

Greg Sparks  
Vice President  
Mercy Properties California

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Sacramento Housing and Redevelopment  
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County of Sacramento

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Sacramento

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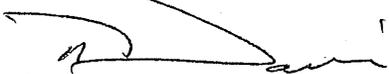
Thomas Alan Feldmar  
President  
Trench Plate Rental Co.

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Chris Peterson  
Managing Agent  
Park Place, LLC  
Rivendale Project

---

David Gonzalez  
Name  
Title



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Thomas Davis  
Property Manager

SIGNATORIES

---

Robert C. Cook, Jr., General Manager  
D.J. Nelson Trust dba  
Fruitridge Vista Water Company

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Vice President  
Mercy Properties California

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County of Sacramento

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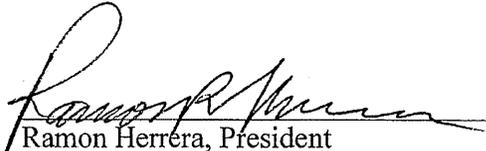
Chris Peterson  
Managing Agent  
Park Place, LLC  
Rivendale Project

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David Gonzalez  
Name  
Title

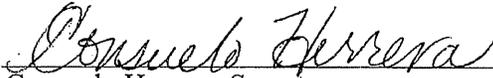
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Mike Burger  
Vice President, Maintenance and Properties  
Saia Motor Freight Line, Inc.



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Soccer Planet, Inc., a California corporation



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Sacramento Housing and Redevelopment  
Agency

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Executive Director  
Housing Authority of the County of  
Sacramento

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Thomas Alan Feldmar  
President  
Trench Plate Rental Co

SIGNATORIES

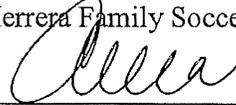
Saia Motor Freight Line, Inc.

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D.J. Nelson Trust dba  
Fruitridge Vista Water Company

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Mr. Herrera  
Herrera Family Soccer Complex



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Greg Sparks  
Vice President  
Mercy Properties California

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Sacramento Housing and Redevelopment  
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Title

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Sacramento

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A California Corporation  
Managing Member of Victoria Station, LLC

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Thomas Alan Feldmar  
President  
Trench Plate Rental Co.  
Authorized Signee  
Al Huggans  
Vice President of Operations

---

Chris Peterson  
Managing Agent  
Park Place, LLC  
Rivendale Project

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David Gonzalez  
Name  
Title

---

Mike Burger  
Vice President, Maintenance and Properties

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

<u>Subject Matter of Sheet</u>	<u>Cal. P.U.C. Sheet No.</u>	
Title Page	363-W	
Table of Contents	434-W, 411-W	(T)
Preliminary Statement	364-W, 418-W, 419-W	
Service Area Map	403-W	
 Rate Schedules:		
Schedule No. 1, Metered Service	430-W	(C)
Schedule No. 2, Flat Rate Service	431-W	(C)
Schedule No. 4, Private Fire Protection Service	406-W	
Schedule No. 9, Metered Construction Service	405-W	
Schedule No. F, Special Facilities Charge	432-W	(N)
Schedule No. DHS, State Revolving Fund Surcharge	433-W	(N)
Schedule No. LC, Late Payment Charge	365-W	
Schedule No. UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee	378-W	
 Rules:		
No. 1. Definitions	233-W, 234-W	
No. 2. Description of Service	143-W	
No. 3. Application for Service	323-W	
No. 4. Contracts	103-W	
No. 5. Special Information Required on Forms	395-W thru 397-W	
No. 6. Establishment and Re-establishment of Credit	106-W	
No. 7. Deposits	398-W, 399-W	
No. 8. Notices	306-W, 307-W	
No. 9. Rendering and Payment of Bills	110-W, 111-W, 194-W	
No. 10. Disputed Bills	335-W, 336-W	
No. 11. Discontinuance and Restoration of Service	308-W, 311-W, 337-W, 313-W thru 315-W	
No. 12. Information Available to Public	117-W, 118-W	
No. 13. Temporary Service	119-W, 120-W	
No. 14. Continuity of Service	121-W	
No. 15. Main Extensions	338-W thru 350-W, 370-W	
No. 16. Service Connections, Meters, and Customer Facilities	351-W thru 357-W	
No. 17. Standards of Measurement for Service	279-W	
No. 18. Meter Tests and Adjustment of Bills for Meter Error	130-W thru 132-W	
No. 19. Service to Separate Premises and Multiple Units, and Resale of Water	251-W thru 252-W	
No. 20. Water Conservation	358-W	
No. 21. Fire Protection	359-W	

(Continued)

(To be inserted by Utility)

Issued By

(To be inserted by Cal.P.U.C.)

Advice Letter No. \_\_\_\_\_

Robert C. Cook, Jr.

Date Filed \_\_\_\_\_

NAME

Decision No. \_\_\_\_\_

General Mgr.

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_

TITLE

Schedule No. 1

**METERED SERVICE**

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

RATES

Quantity Rate:

All Water, per 100 cubic feet..... \$0.467

Service Charge:

Per Meter Per Month

For 5/8 x 3/4 - inch meter	\$ 9.82	(I)
For 3/4 - inch meter	14.73	
For 1 - inch meter	24.55	
For 1-1/2 - inch meter	49.09	
For 2 - inch meter	78.54	
For 3 - inch meter	147.22	
For 4 - inch meter	245.40	
For 6 - inch meter	490.79	(I)

This service charge is a readiness to serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. A late charge will be imposed per Schedule LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in the unit will, at the company's option, be furnished on the account of the landlord or property owner.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
4. A surcharge is included on each bill to recover under-collected pumping power costs of \$55,046. The pumping power surcharge is \$0.033 per CCF of water used. The surcharge will be collected over a twelve-month period from the effective date of advice letter 76.
5. A portion of each service charge will be deposited in a separate trustee account and shall be used only for payment of principal and interest associated with the buy-in fee for rights purchase water from the City of Sacramento as adopted by the Commission in D.06-03-0XX. The portion of each service charge that will be deposited in a separate trustee account shall be as follows: for each 5/8" x 3/4" meter, \$1.25; 3/4" meter, \$1.88; 1" meter, \$3.13; 1 1/2" meter, \$6.25; 2" meter, \$10.00; 3" meter, \$18.75; 4" meter, \$31.25, and 6" meter, \$62.50. (N)
6. All bills are subject to the surcharge set forth in Schedule No. DHS. (N)

(To be inserted by Utility)

*Issued By*

(To be inserted by Cal.P.U.C.)

Advice Letter No. \_\_\_\_\_

Robert C. Cook, Jr. \_\_\_\_\_

Date Filed \_\_\_\_\_

NAME

Decision No. \_\_\_\_\_

General Mgr. \_\_\_\_\_

Effective \_\_\_\_\_

TITLE

Resolution No. \_\_\_\_\_

Schedule No. 2

**FLAT RATE SERVICE**

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

RATES

	Per Service Connection Per Month	
1. For a single residential unit, including Premises not exceeding 10,000 sq. ft. in area	\$ 20.07	(I)
a) For each additional single family unit on the same premise and served from the same service connection	\$ 12.64	(I)
b) For each 100 sq. ft. of premises in Excess of 10,000 sq. ft.	\$ 0.18	(I)
2. For each automobile service station, including car wash rack, where service connection is not larger than one inch in diameter	\$ 41.55	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and water served under Schedule No. 1, Metered Service.
3. A late charge will be imposed per Schedule No. LC.
4. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in the unit will, at the company's option, be furnished on the account of the landlord or property owner.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
6. A surcharge is included on each bill to recover under-collected pumping power costs of \$55,046. The pumping surcharge is \$0.25 per usage equivalent. The surcharge will be collected over a twelve-month period from the effective date of advice letter 76.
7. A portion of each service charge will be deposited in a separate trustee account and shall be used only for payment of principle and interest associated with the buy-in fee for rights purchase water from the City of Sacramento as adopted by the Commission in D.06-03-0XX. The portion of each service charge that will be deposited in a separate trustee account shall be as follows: each single residential unit \$1.65; each additional single family unit \$0.99; for each 100 sq. ft. of premises in excess of 10,000 sq. ft. \$0.01; and each automobile service station \$3.30. (N)
8. All bills are subject to the surcharge set forth in Schedule No. DHS. (N)

(To be inserted by Utility)  
Advice Letter No. \_\_\_\_\_

Issued By  
Robert C. Cook, Jr.  
NAME

(To be inserted by Cal.P.U.C.)  
Date Filed \_\_\_\_\_

Effective \_\_\_\_\_

Decision No. \_\_\_\_\_

General Mgr. \_\_\_\_\_

TITLE

Resolution No. \_\_\_\_\_

Schedule No. F

**SPECIAL FACILITIES FEES**

APPLICABILITY

Applicable to all customers applying for service from Fruitridge Vista Water Company in the territory served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises due to change in use.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

RATES

Initial Fee for each Service Connection:

For each dwelling unit ..... \$7,000  
 For each commercial project:.....6,809\* (net) acres + Meter Connection Fee

Water Meter Size	Connection Fee
1"	\$8,128.00
1.5"	\$18,694.00
2"	\$32,512.00
3"	\$73,152.00
4"	\$130,048.00
6"	\$292,608.00
8"	\$520,192.00

SPECIAL CONDITIONS

1. Facility fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.
2. Facility fees are payable by the customer applying for service upon receipt of a building permit from the relevant local jurisdiction, unless such fee has already been paid pursuant to the settlement approved in D.06-03-0XX.
3. These fees are not subject to the Public Utility Commission Reimbursement Fee surcharge in schedule UF.
4. These fees shall be deposited in a separate trustee account and shall be used only for the infrastructure and new supply costs associated with the comprehensive solution adopted by the Commission in D.06-03-0XX.

(To be inserted by Utility)

Issued By

(To be inserted by Cal.P.U.C.)

Advice Letter No. \_\_\_\_\_

Robert C. Cook, Jr.  
NAME

Date Filed \_\_\_\_\_

Decision No. \_\_\_\_\_

General Mgr.

Effective \_\_\_\_\_

TITLE

Resolution No. \_\_\_\_\_

Schedule No. DHS

**STATE REVOLVING FUND SURCHARGE**

APPLICABILITY

Applicable to all flat or meter service. This surcharge is specifically for the repayment of the Safe Drinking Water State Revolving Fund loan described in D.06-03-0XX.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

MONTHLY SURCHARGE

(Flat Rate Connections)	Per Service Connection <u>Per Month</u>
1. For a single residential unit, including Premises not exceeding 10,000 sq. ft. in area	\$ 2.18
c) For each additional single family unit on the same premise and served from the same service connection	\$ 1.31
d) For each 100 sq. ft. of premises in Excess of 10,000 sq. ft.	\$ 0.02
2. For each automobile service station, including car wash rack, where service connection is not larger than one inch in diameter	\$ 4.35

(Metered Connections)	<u>Per Meter Per Month</u>
For 5/8 x 3/4 - inch meter	\$ 1.66
For 3/4 - inch meter	2.49
For 1 - inch meter	4.15
For 1-1/2 - inch meter	8.30
For 2 - inch meter	13.28
For 3 - inch meter	24.90
For 4 - inch meter	41.50
For 6 - inch meter	83.00

SPECIAL CONDITIONS

1. This surcharge is in addition to the water bill. The surcharge is specifically for the repayment of the Safe Drinking Water State Revolving Fund loan authorized by D.06-03-0XX.
2. The surcharge rates are subject to periodic adjustment.
3. The surcharge shall be deposited in a separate trustee account and shall be used only for the repayment of the Safe Drinking Water State Revolving Fund loan described in D.06-03-0XX.

(To be inserted by Utility)

Issued By

(To be inserted by Cal.P.U.C.)

Advice Letter No. \_\_\_\_\_

Robert C. Cook, Jr.  
NAME

Date Filed \_\_\_\_\_

# ATTACHMENT A



RECEIVED

FEB 14 2006

STOEL RIVES LLP

Department of Utilities  
Office of the Director

CITY OF SACRAMENTO  
CALIFORNIA

1395 35<sup>th</sup> Avenue  
Sacramento, CA 95822-2911  
phone (916) 808-1400  
fax (916) 808-1497/1498

February 10, 2006  
60093:GAR:jp

Ms. Lisa Bates  
Sacramento Housing and Redevelopment Agency  
630 I Street  
2<sup>nd</sup> Floor  
Sacramento, CA 95814

**SUBJECT: CITY WATER SERVICE TO FRUITRIDGE VISTA WATER COMPANY**

Dear Ms. Bates,

The purpose of this letter is to respond to the question if the City will provide water to the Fruitridge Vista Water Company (FVWC) to meet its existing needs and future growth. The City is interested in providing wholesale water service to the FVWC.

The FVWC service area is within the City's American River Place of Use boundary. This allows the City to wholesale water to the FVWC. To accomplish this, FVWC will need to negotiate a wholesale agreement with the City.

Please feel free to contact me or Jim Peifer of my staff at (916) 808-1416 if you have any questions.

Sincerely,

Gary A. Reents  
Director of Utilities

Copy to: Craig M. Wilson, Stoel Rives  
Ray Kerridge, Interim City Manager  
Joe Robinson, City Attorney's Office  
Robert Cook, Jr. Fruitridge Vista Water Company



CITY OF SACRAMENTO  
DEPARTMENT  
OF UTILITIES

*Making a Difference in Your Neighborhood*



# California Regional Water Quality Control Board

## Central Valley Region



Alan C. Lloyd, Ph.D.  
Agency Secretary

Robert Schneider, Chair

Sacramento Main Office  
11020 Sun Center Drive #200, Rancho Cordova, California 95670-6114  
Phone (916) 464-3291 • FAX (916) 464-4645  
<http://www.waterboards.ca.gov/centralvalley>

Arnold  
Schwarzenegger  
Governor

Administrative Law Judge Glen Walker  
Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

7 February 2006

***Fruitridge Vista Water Company Application No. 05-10-005 and Complaints 05-10-007, 05-10-011, 05-09-011, 05-09-012, 05-09-027 and 05-011-015 Before the Public Utilities Commission (PUC)***

The Regional Water Quality Control Board, Central Valley Region, (Water Board) supports the proposed "Settlement Agreement for a Comprehensive Solution to the Fruitridge Vista Water Supply Situation" (Settlement Agreement) provided to this office on 1 February 2006 by Administrative Law Judge Michelle Cooke. The Agreement does have a signature line for the Water Board and we respectfully decline to sign this Agreement, as the Water Board is not a party to the PUC proceedings. Instead, this letter is intended to provide the support of the Water Board for the Agreement, which the parties desire. Water Board staff has participated in the settlement discussions and the Water Board is pleased with the outcome of this settlement. It is a great example of many parties, each of which has a different mission, agreeing on a solution that serves all. I commend the efforts of Administrative Law Judge Michelle Cooke and the parties to the Settlement Agreement for working cooperatively to reach this solution.

The Water Board has been involved in the oversight of investigation and cleanup of groundwater pollution in the area of the Fruitridge Vista Water Company. Among other actions, the Water Board issued an order pursuant to California Water Code section 13267 in January 2003 to the Fruitridge Vista Water Company to investigate whether polluted water supply wells act as conduits for contaminants to discharge into deeper high quality waters of the state. The proposed Settlement Agreement includes terms to achieve compliance with the Water Board's Order contributing to the protection of water quality. In addition, the Water Board supports the proposed Settlement Agreement because testing of the polluted wells in compliance with the Water Board's Order and ultimate destruction of these wells will reduce movement of the contaminant plumes and eliminate the potential for contaminated groundwater to move vertically into deeper water-bearing zones.

If you have any questions, you may contact Cori Condon at (916) 464-4619.

KENNETH D. LANDAU  
Acting Executive Officer

cc: list on next page

***California Environmental Protection Agency***



Mr. Robert C. Cook Jr., Fruitridge Vista Water Company  
Mr. Greg Sparks, Mercy Properties California  
Mr. Paul Hahn, County of Sacramento  
Mr. Allen W. Warren, New Faze Development, Inc.  
Mr. Chris Peterson, Park Place, LLC  
Mr. Mike Burger, Saia Motor Freight Line, Inc.  
Ms. Anne M. Moore, Sacramento Housing and Redevelopment Agency  
Ms. Terry Macaulay, Department of Health Services  
Mr. Thomas Alan Feldmar, Trench Plate Rental Co.  
Ms. Illa Collins, Sacramento County Supervisor



California  
Department of  
Health Services

SANDRA SHEWRY  
Director

State of California—Health and Human Services Agency  
Department of Health Services



ARNOLD SCHWARZENEGGER  
Governor

February 22, 2006

Glen Walker  
Administrative Law Judge  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Dear ALJ Walker:

FRUITRIDGE VISTA WATER COMPANY MEDIATION AGREEMENT

The Department of Health Services (DHS) was pleased to participate in recent sessions for the mediation of issues relating to the Fruitridge Vista Water Company (FVWC). While DHS is not a signatory to the mediated settlement agreement, it appreciates the efforts of Administrative Law Judge Michelle Cooke and other participants, and commends the parties on a settlement agreement to help resolve FVWC's water quality and water quantity issues.

DHS anticipates the settlement will result in the timely construction of new wells, interties to the City of Sacramento, and other improvements that should provide a more reliable drinking water supply for consumers and enable FVWC to cure the problems addressed by DHS' existing compliance order.

DHS is also pleased to be able to provide funding for a portion of the infrastructure improvements outlined in the settlement agreement. On February 2, 2006, DHS issued a Letter of Commitment (LOC) to FVWC from the Drinking Water Treatment and Research Fund (DWTRF). This funding, in the amount of \$5,119,816, is allocated towards a portion of the cost to construct two new wells, buy-in costs to the City of Sacramento, and pipeline and other infrastructure improvements associated with the replacement of water from Wells 1 and 2, that have been contaminated with methyl tertiary-butyl ether (MTBE). The DWTRF funding is also allocated to the costs for testing and destroying Wells 1, 2, 11, and 12.

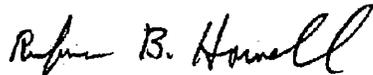
Glen Walker, ALJ  
California Public Utilities Commission  
Page 2  
February 22, 2006

DHS has invited FWWC to submit an application for a zero interest loan from the Drinking Water State Revolving Fund (DWSRF). The DWSRF funding would be allocated to the costs incurred by FWWC in resolving the water supply shortages that will not be addressed by the replacement of Wells 1 and 2. This includes replacing water from Well 12, which has been contaminated by MTBE and perchloroethylene (PCE).

DHS again commends all participants in the mediation process and looks forward to a continuing cooperative effort to provide an ample supply of potable water to the community served by FWWC.

Please contact Carl Lischeske at (916) 449-5596 if you have any questions.

Sincerely



Rufus B. Howell, Acting Chief  
Division of Drinking Water  
and Environmental Management

cc: Jerr Swoyer  
Bob Hultquist  
Carl Lischeske  
Terry Macaulay  
Gary Yamamoto  
✓ Leah Walker

# ATTACHMENT B

STATE OF CALIFORNIA

DEPARTMENT OF HEALTH SERVICES

IN RE: Fruitridge Vista Water Company  
P.O. Box 15170  
Sacramento, CA 95851

TO: Robert C. Cook Jr., General Manager

**ORDER TO CORRECT NONCOMPLIANCE - WATER SYSTEM NO. 5710007**

Section 116655 of the California Health and Safety Code (CHSC), authorizes the issuance of an order directing compliance with the regulations established in Chapter 17, Title 22, California Code of Regulations (CCR).

**FINDINGS OF FACT**

Fruitridge Vista Water Company's (hereinafter, FVWC) domestic water system is supplied by fourteen active wells. FVWC has no water storage facilities within the distribution system. Therefore, the only means of maintaining proper water distribution system pressure is to operate additional wells as demand increases. On numerous occasions, FVWC has failed to maintain adequate and safe pressure(s) in the distribution system. The pressure losses were apparently

caused, in part, by pumping equipment failures at the wells. It is unclear whether the pump failures were due to poor system maintenance, an insufficient number of standby generators, and/or inadequate, or absent system controllers. A list of the individual low pressure events are listed in the following Table A:

TABLE A

Event	Date	Well No.	Pressure	Duration
1	May 22, 2003	Well no. 3	3 psi	0.5 hours
2	May 27, 2003	Well no. 3	14-20 psi	3 hours
3	May 27, 2003	Well no. 5	17-20 psi	1 hour
4	May 27, 2003	Well no. 16	19 psi	1 hour
5	May 27, 2003	Well no. 17	17 psi.	briefly
6	May 28, 2003	Well no. 3	14-20 psi	3.5 hours
7	May 28, 2003	Well no. 5	18-20 psi	1.5 hours
8	May 28, 2003	Well no. 16	19 psi	2 hours
9	May 29, 2003	Well no. 17	16-20 psi	17 times in three days
10	June 1, 2003	Well no. 3	14-20 psi	3.5 hours
11	June 1, 2003	Well no. 5	18-20 psi	2 hours
12	June 1, 2003	Well no. 10	19-20 psi	2 hours
13	June 1, 2003	Well no. 16	15-20 psi	3 hours
14	June 2, 2003	Well no. 3	15-20 psi	4.5 hours
15	June 2, 2003	Well no. 10	18-20 psi	2 hours
16	June 2, 2003	Well no. 16	15-20 psi	3 hours
17	June 2, 2003	Well no. 17	17-20 psi	3 hours
18	June 2, 2003	Well no. 17	17-20 psi	2 hours
19	July 4, 2003	Well no. 3	11 psi	2 hours
20	July 10, 2003	Well no. 3	18 psi	briefly
21	July 12, 2003	Well no. 3	10-11 psi	9 hours.
22	August 13, 2003	Well no. 10	18-20 psi	1 hour
23	May 3, 2004	Well no. 13	12-19 psi	57 hours
24	May 26, 2004	Well no. 3	10-20 psi	35 hours
25	June 2, 2004	Well no. 17	18 psi	briefly

Low pressure in the distribution system may allow pathogens to enter the distribution system. If such a scenario were to occur, there may be insufficient

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disinfectant residual to inactivate pathogens entering the distribution system creating a health risk to consumers.

On June 17, 2004, Mr. David Remick of the Department of Health Services (hereinafter, Department) conducted a field inspection of FVWC's facilities. Mr. Remick, a Sanitary Engineer with the Department, completed an Inspection Report on August 13, 2004. The report included several comments, observations, and an appraisal of the system relating to the adequacy of the system capacity. The total calculated source capacity for the active wells available to FVWC is 8780 gallons per minute (gpm). Since FVWC has decided not to use one of its wells due to MTBE contamination, the actual source capacity is closer to 8330 gpm. According to the California Water Works Standards, a system similar to FVWC in size and type should have a source capacity of approximately 11,000 gpm. According to the Mr. Remick's calculations utilizing the 2003 population figures from the Annual Report of the same year, the fire flow requirements (excluding any other water usage) are 9600 gpm for a minimum of two hours. Therefore, it appears that the system does not have sufficient source capacity to meet the maximum daily flow requirements for 2003 including fire flow requirements. This is probably contributing to the pressure problems described in the previous paragraph.

**REQUIREMENTS OF LAW**

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According to Section 64562(a), California Waterworks Standards, Chapter 16, Title 22, California Code of Regulations (CCR), "Sufficient water shall be available from the water sources and distribution reservoirs to supply adequately, dependably and safely the total requirements of all users under maximum demand conditions before agreement is made to permit additional service connections to a system."

According to Section 64562(c)(1), California Waterworks Standards, Chapter 16, Title 22, California Code of Regulations (CCR), "Requirements for an entire public water system shall be determined from the total source capacity, total storage volume and the total number of service connections."

According to Section 64566(a), California Waterworks Standards, Chapter 16, Title 22, California Code of Regulations (CCR), "...distribution systems shall be designed to maintain an operating pressure at all service connections of not less than 20 pounds per square inch gauge (psig) (140 kiloPascals gauge (kPag)) under the following demand conditions:

(1) User maximum hour demand..."

Section 116555 of the Health and Safety Code states the following:

(a) Any person who owns a public water system shall ensure that the system does all of the following:

... (3) Provides a reliable and adequate supply of pure, wholesome, healthful, and potable water...

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Section 116655 of the Health and Safety Code states the following:

An order issued pursuant to this section may include, but shall not be limited to, any or all of the following requirements:

- (1) That the existing plant, works, or system be repaired, altered, or added to.
- (2) That purification or treatment works be installed.
- (3) That the source of the water supply be changed.
- (4) That no additional service connection be made to the system.
- (5) That the water supply, the plant, or the system be monitored.
- (6) That a report on the condition and operation of the plant, works, system, or water supply be submitted to the Department.

Section 116725(b) of the Health and Safety Code states the following:

Any person who violates a citation schedule of compliance for a primary drinking water standard, other than turbidity, or any order regarding a primary drinking water standard other than turbidity, or the requirement that a reliable and adequate supply of pure, wholesome, healthful, and potable water be provided may be liable, as determined by the court, for a civil penalty not to exceed twenty-five thousand dollars (\$25,000) for each separate violation or, for continuing violations, for each day that violation continues.

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**CONCLUSIONS OF LAW**

Based on the above Findings of Fact and Requirements of Law, the Department finds that FVWC has violated Sections 64562(a) and 64566(a), Chapter 16, Title 22, of the CCR. In addition, the Department finds that FVWC has violated Section 116555(a)(3) of the CHSC. Specifically, FVWC has not demonstrated the ability to consistently and safely maintain a minimum operating pressure of 20 psi in the distribution system.

**ORDER**

Pursuant to Section 116655 of the Health and Safety Code, the Department hereby orders FVWC, to do the following:

1. FVWC shall modify, repair, and/or replace as necessary FVWC's standby power supply, control systems, and pumping equipment in order to render the distribution system capable of providing sufficient pressure and supply as stated in the requirements set forth in Section 64562 and 64566 of the CCR. FVWC shall submit a letter describing the upgrades and/or replacement(s), including a schedule for completing them; no later than October 31, 2005.

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2. FVWC shall maintain a disinfectant residual in the distribution system until the Department directs FVWC otherwise. The minimum disinfectant residual shall be no less than 0.5 milligrams per liter of free chlorine entering the distribution system.

3. FVWC shall identify and provide additional source(s) of supply (i.e., groundwater or purchased water) in order to provide adequate supply and pressure in the distribution system.

4. FVWC shall perform a study evaluating the options for providing additional source(s) of supply to remedy the supply and distribution system pressure problems. The options studied shall include, at a minimum:

- a) long-term purchase of surface water from the City of Sacramento;
- b) construction of new well source(s) and associated treatment facilities.

The study shall also include a cost comparison of all options evaluated. The study shall be submitted to the Department by November 30, 2005.

5. Based on results of the study, FVWC shall submit a letter describing the proposed system changes, upgrades, and/or additional sources including a schedule for completion, no later than January 31, 2006.

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All submittals required pursuant to this order shall be addressed to:

Terry Macaulay, P.E.  
Sacramento District Engineer  
Drinking Water Field Operations  
Department of Health Services  
1616 Capitol Avenue, MS 7407  
P.O. Box 997413  
Sacramento, CA 95899-7413

If Respondents are unable to perform the tasks specified in this Order for any reason, whether within or beyond Respondents' control, Respondents shall notify the Department in writing within five days after the event. The Department may extend the time for performance if the Respondents demonstrate that it has used its best efforts to comply with the schedule and other requirements of the Order. If FVWC fails to perform any of the tasks specified in this Order by the time prescribed herein or as subsequently extended pursuant to this paragraph, FVWC shall be deemed not to have complied with the obligations of this Order and may be subject to additional enforcement action, including but not limited to, civil penalties as specified in Sections 116665 and/or 116725 of the California Health and Safety Code.

The State of California shall not be liable for any injuries to persons or damage to property resulting from acts or omissions by the Respondents, its employees, agents, or contractors in carrying out activities pursuant to this Order; nor shall the

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State of California be held as a party to any contract entered into by the Respondents or its agents in carrying out activities pursuant to this Order.

By issuance of this Order, The Department does not waive any further enforcement action.

**PARTIES BOUND**

This Order shall apply to and be binding upon the Respondents, its officers, directors, employees, agents, contractors, successors, and assignees.

**SEVERABILITY**

The requirements of this Order are severable, and the Respondents shall comply with each and every provision thereof, notwithstanding the effectiveness of any of its provisions.

8-29-05  
Date

T Macaulay  
Terry Macaulay P.E.  
Sacramento District Engineer  
Drinking Water Field Operations

CERTIFIED MAIL

# ATTACHMENT C

## DEPARTMENT OF HEALTH SERVICES

DRINKING WATER TREATMENT AND RESEARCH FUND  
LETTER OF COMMITMENT FOR COST REIMBURSEMENTFILE  
COPY  
(PAYMENTS  
FOLDER)DWTRF ID NUMBER: D-34-10023-02AMENDMENT NO.: 2REQUESTING AGENCY: Fruitridge Vista Water CompanyMailing Address: P.O. Box 15170, Sacramento, CA 95815Contact Person: Mr. Robert C. Cook Jr. Phone No. (916) 443-2607Tax ID Number: 68-6019089

Previous Approved Amount:	<u>\$ 1,477,000</u>
New Amendment Amount:	<u>\$ 3,642,816</u>
Total Approved Amount:	<u>\$ 5,119,816</u>

## State Identification Number of

Contaminated Drinking Water Source(s): Well No. 1 (DWR-08N/05E-29A01M), Well No. 2 (DWR-08N/05E-29H01M)

Subject to the availability of funds, the Department of Health Services (Department) agrees to reimburse the Fruitridge Vista Water Company for the incremental costs incurred to provide an alternative water supply to restore service to the area that was served by the identified contaminated drinking water sources as authorized under California Health and Safety Code Section 116367. The commitment reflected by this Letter of Commitment is subject to all of the following terms and conditions:

1. Reimbursement shall not exceed \$5,119,816 unless this amount is subsequently revised in writing by an amended Letter of Commitment.
2. The obligation to pay any amount under this Letter of Commitment is contingent upon availability of funds from the Drinking Water Treatment and Research Fund. The Department will not be obligated to make disbursements under this Letter of Commitment, in the event that sufficient funds are not available from the Drinking Water Treatment and Research Fund for reason beyond the control of the Department.
3. All costs for which reimbursement is sought must be eligible for reimbursement and the public water system must be the entity entitled to the reimbursement.
4. Public water systems must at all times be in compliance with all applicable state laws, regulations, and terms and conditions, and commitments identified in any Drinking Water Treatment and Research Fund form, memorandum, or correspondence submitted by the public water system.
5. No disbursements under this Letter of Commitment will be made except upon receipt of an adequately completed "Request for Payment" form with all required supporting documentation, that has been duly executed by the authorized representative of the public water system. All payment requests must be executed by the public water system who has been approved by the Department.
6. Any and all disbursements payable under this Letter of Commitment may be withheld if the public water system is not in compliance with all the provisions of this Letter.
7. This Letter of Commitment may be withdrawn at any time by the Department if the public water system does not proceed with reasonable diligence to implement the alternative water supply project.
8. The public water system shall aggressively pursue cost recovery from the responsible parties that caused the oxygenate contamination of the drinking water source, and shall, upon recovery, or within 5 years from receipt of initial payment from the DWTRF, whichever occurs first, reimburse the Department for the funds received from the DWTRF.
9. The maximum disbursement per fiscal year shall not exceed \$3,000,000.

IN WITNESS WHEREOF, this Letter of Commitment has been issued by the Department this 2<sup>nd</sup> day of February, 2006

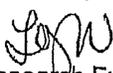
STATE DEPARTMENT OF HEALTH SERVICES

By Seahoy Walker  
Manager, Drinking Water Treatment and Research FundBy R. B. Howell  
Acting Chief, Division of Drinking Water and Environmental ManagementCALSTARS CODING:  
01-4165-702-03-51241

## Memorandum

Date: February 2, 2006

To: Project File: Fruitridge Vista Water Company

From: Leah-Godsey Walker, P.E.   
Drinking Water Treatment And Research Fund

Subject: Justification for Issuing a Drinking Water Treatment and Research Fund (DWTRF) Letter of Commitment, Amendment No.2, to the Fruitridge Vista Water Company – Well Nos. 1 and 2 Replacement Water Project (No. D-34-10023-02)

### Background

The Fruitridge Vista Water Company (FVWC) operates a public water system in Sacramento County, that serves a population of approximately 4,800 people from twelve (12) operating drinking water wells.

FVWC detected Methyl Tertiary Butyl Ether (MTBE) at a concentration of 5 parts per billion (ppb) in Well No. 2 in July 2000. Subsequent monitoring results from Well No. 2, conducted in September 2000, January 2001, and April 2001, showed MTBE concentrations of 5 ppb, 13ppb, and 28 ppb respectively. FVWC ceased operation of Well No. 2 in September 2000.

The Regional Water Quality Control Board (RWQCB) requested by letter dated May 31, 2001, that FVWC abandon Well No. 2 to minimize the migration of the MTBE plume into the deeper groundwater aquifer.

On September 28, 2001 the Department issued a Letter of Commitment (LOC) under Project No. D-34-10023-02 in the amount of \$40,000 to FVWC to provide financial assistance for the costs incurred to conduct an engineering evaluation to identify the necessary drinking water infrastructure project scope of work required to replace the source of water supply no longer available from Well No. 2. This evaluation has essentially been completed and a draft report has been submitted to the Department.

In January 2002 the Department made a determination that FVWC could include the replacement of source water for Well No. 1 as part of their DTRF project. This determination was based on Well No. 1 also having been impacted by MTBE and an identified leaking underground storage tank was located within the two-year zone of influence of Well No. 1.

FVWC Well Nos. 1 And 2 Replacement Water Project  
Page 2  
February 2, 2006

The Department subsequently issued Amendment No. 1 under project No. D-34-10023-02 to include replacement water for both Well No. 1 and No. 2.

### **Funding Request**

Subsequent to Amendment No. 1, FVWC's engineering consultant submitted a comprehensive proposal to provide a resolution to a Compliance Order issued by the Department to FVWC. This plan includes the following components to be funded by the DWTRF: installing four (4) test wells, two new drinking water wells, and associated distribution pipelines. In addition, the Department in concert with the RWQCB, is requesting that FVWC perform hydrogeological testing and water quality testing in four (4) existing drinking water wells (Nos. 1, 2, 11, and 12). Subsequent to completion of the well testing, the Department will direct FVWC to destroy the four (4) wells.

### **Findings and Recommendation**

The Department concurs with the strategy of FVWC's current consultant to install two smaller replacement wells near the western edge of FVWC's water system boundary instead of the previous plan to install a single replacement well near the eastern boundary of their water system. The Department also concurs with FVWC's request to install up to four (4) test wells and distribution pipelines for the new wells. Destruction of the four (4) wells (Well Nos. 1, 2, 11, and 12) is necessary to prevent the movement of MTBE from one aquifer to another since these wells act as conduits for the vertical movement of contaminants. Prior to destruction of the four (4) wells, it is necessary that these wells be tested for water quality and hydrogeological characteristics. The water quality testing will define the vertical extent of MTBE contamination and the degree (concentration) of MTBE contamination. The hydrogeological testing results will provide information necessary to properly plan the destruction of the four (4) wells.

It is therefore recommended that the Department issue Amendment No. 2 to the existing Letter of Commitment for this project to reflect a total approved amount of \$5,119,816 to provide financial assistance from the DWTRF to FVWC for the identified items of work.

### **Authority**

The Department is authorized to expend DWTRF funding to public water systems for the costs incurred to acquire alternate drinking water supplies where wells are shut down due to oxygenate contamination, pursuant to Section 116367 (d) (3) and (6) of the Health and Safety Code.

Available DHS Funding for  
Fruitridge Vista Water Company  
February 2, 2006

Total Project for Resolution of Compliance Order (Existing Needs Only)  
Includes Eligible Costs for Amendment No.2 To LOC For DWTRF

ITEM			COST
<b>NEW WELLS</b>			
Well A			1,000,000
Well B			1,000,000
<b>Sub-total</b>			<b>2,000,000</b>
<b>CITY INTERTIE INFRASTRUCTURE</b>			
Fruitridge Rd Intertie			222,040
47 <sup>th</sup> Avenue Intertie			222,040
<b>Sub-total</b>			<b>444,080</b>
<b>CITY BUY IN</b>			
Cost for 1,465 gpm:			
2.11 mgd x \$1,751,958/mgd			3,696,631
<b>DISTRIBUTION MAINS</b>			
<b>Pipeline Section</b>	<b>Size</b>	<b>Length</b>	<b>Cost</b>
<b>(east of hwy 99)</b>			
Pacific School	10	493	49,793
Lang Ave (41 <sup>st</sup> St)	10	674	68,074
41st Avenue to 44th St	10	1202	121,402
41st Avenue to Sampson	10	1648	166,448
44 <sup>th</sup> St to Fruitridge to 41st Ave	10	3212	324,412
Iowa	8	1807	151,788
Sampson	8	1796	150,864
Fruitridge Road	10	2082	210,282
44th St from 41st to 47th Ave	10	2014	203,414
North of Fruitridge	8	1331	111,804
subtotal			1,558,281
<b>(west of hwy 99)</b>			
MLK Drive	8	341	28,644
42nd Ave	8	1070	89,880
subtotal			118,524
<b>Sub-Total</b>			<b>1,676,805</b>
<b>Total Cost for Compliance</b>			<b>7,817,516</b>
<b>COST ALLOCATION TO DWTRF</b>			
Total Cost	7,817,516		
(Capacity costs not assoc. w/ contam.)	-1,000,000		
Net Costs assoc. w/ contam.	6,817,516		
Costs assoc. w/ Wells 1 & 2			
$\$6,817,516 \times 2/3 = \$4,545,011$			<b>4,545,011</b>

Available DHS Funding for  
 Fruitridge Vista Water Company  
 February 2, 2006  
 Total Project for Resolution of Compliance Order (Existing Needs Only)  
 Includes Eligible Costs for Amendment No.2 To LOC For DWTRF

<b>COST ALLOCATION TO SRF</b>			
Total cost for compliance	7,817,516		
(costs allocated to DWTRF)	-4,545,011		
Allocation to SRF	3,272,505		<b>3,272,505</b>
<b>OTHER COSTS TO BE PAID BY DWTRF:</b>	<i>(Not Transferrable)</i>		
<b>Test wells</b>			
Additional 2 test wells beyond costs above (if nee	130,000		
Study and work plan for 4 test wells	20,000		
Design costs, 2 test wells & assoc. improvements	253,000		
<b>CEQA compliance</b>	5,000		
<b>Old well destruction</b>			
Hydrogeologic testings of Wells 1, 2, 11, 12 for R	98,780		
WQ sampling of Wells 1, 2, 11, 12 for RWQCB	20,280		
Destruction of wells 1,2, 11, 12	38,295		
<b>Subtotal</b>	<b>565,355</b>		<b>565,355</b>
<b>TOTAL COSTS TO BE PAID BY DWTRF:</b>			
	4,545,011		
	565,355		
<b>Subtotal For Amend. #2 To LOC For DWTRF</b>	<b>5,110,366</b>		

\$ 5,110,366 - - - SUBTOTAL FOR NEW ESTIMATE  
 # 9,450 - - - PREVIOUSLY PAID AMOUNT  
 +  
 \$ 5,119,816 ← NEW TOTAL FOR AMENDMENT #2 TO LOC

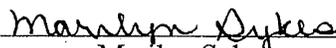
# ATTACHMENT D

	SETTLEMENT SRF SURCHARGE \$1.98 million ratebase				
	NO POLLUTER RECOVERY	SOME POLLUTER RECOVERY	SOME POLLUTER RECOVERY	SOME POLLUTER RECOVERY	FULL POLLUTER RECOVERY
	SCENARIO A	SCENARIO B -25%	SCENARIO C -50%	SCENARIO D -75%	SCENARIO E -100%
	(In million \$)				
<b>AGREED COST OF SOLUTION:</b>					
City Capacity Fee	5.67	5.67	5.67	5.67	5.67
City connection	0.44	0.44	0.44	0.44	0.44
Transmission Mains	2.89	2.89	2.89	2.89	2.89
New well # 1	1.00	1.00	1.00	1.00	1.00
New well # 2	1.00	1.00	1.00	1.00	1.00
New well # 12	1.00	1.00	1.00	1.00	1.00
<b>Total</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>
<b>HOW SOLUTION COST IS FUNDED:</b>					
DHS DWTRF	4.55	4.55	4.55	4.55	4.55
FACILITIES FEE	1.20	1.20	1.20	1.20	1.20
CITY OF SAC AGREEMENT	1.98	1.98	1.98	1.98	1.98
SRF LOAN <small>ASSUME 6% INTEREST</small>	3.27	3.27	3.27	3.27	3.27
FUTURE FACILITIES FEES	1.00	1.00	1.00	1.00	1.00
<b>CURRENT COST</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>
<b>FUTURE COST</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
<b>ASSUMING NO POLLUTER RECOVERY WHO PAYS FOR THE SOLUTION COST:</b>					
DHS	4.55	4.55	4.55	4.55	4.55
DEVELOPERS (FAC FEE)	1.20	1.20	1.20	1.20	1.20
RATEPAYERS (SURCHARGE)	3.27	3.27	3.27	3.27	3.27
FWWC	1.98	1.98	1.98	1.98	1.98
<b>CURRENT SOLUTION COSTS</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>
<b>WELL #16 &amp; #17 REPLACEMENT FUNDING</b>					
TOTAL SOLUTION COST	11.00	11.00	11.00	11.00	11.00
WELL #16/#17 COSTS FUNDED BY DHS DWTRF (2000)	2.85	2.85	2.85	2.85	2.85
<b>TOTAL PROJECT COSTS</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>
<b>WHO PAYS FOR THE PROJECT COSTS:</b>					
DHS	7.40	7.40	7.40	7.40	7.40
DEVELOPERS (FAC FEE)	1.20	1.20	1.20	1.20	1.20
RATEPAYERS (SURCHARGE)	3.27	3.27	3.27	3.27	3.27
FWWC	1.98	1.98	1.98	1.98	1.98
<b>TOTAL SOLUTION COST</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>
<b>ASSUMING PARTIAL POLLUTER RECOVERY WHO PAYS FOR THE SOLUTION / PROJECT COST:</b>					
POLLUTER RECOVERY CAPPED AT \$5.0	0	1.25	2.50	3.75	5.00
DHS	7.40	6.15	4.90	3.65	2.40
DEVELOPERS (FAC FEE)	1.20	1.20	1.20	1.20	1.20
RATEPAYERS (SURCHARGE)	3.27	3.27	3.27	3.27	3.27
FWWC	1.98	3.23	4.48	5.73	6.98
<b>TOTAL SOLUTION COST</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>	<b>13.85</b>

<b>RATEMAKING TREATMENT OF PLANT ADDITIONS:</b>						
CIAC		8.60	7.35	6.10	4.85	3.60
SURCHARGE	SRF	3.27	3.27	3.27	3.27	3.27
RATEBASE		1.98	3.23	4.48	5.73	6.98
		13.85	13.85	13.85	13.85	13.85
<b>COST TO RATEPAYER:</b>						
<b>SURCHARGE</b>						
SRF COST		3.27	3.27	3.27	3.27	3.27
RESERVE COST (10%) required per DHS		0.33	0.33	0.33	0.33	0.33
TOTAL		3.60	3.60	3.60	3.60	3.60
YEARS	<small>DIVIDED BY</small>	20.00	20.00	20.00	20.00	20.00
DEBT SERVICE PER YEAR		179,988	179,988	179,988	179,988	179,988
INCOME TAX GROSS-UP						
ANNUAL COST TO CUSTOMER		179,988	179,988	179,988	179,988	179,988
FLAT RATE PORTION	58.00%	104,393	104,393	104,393	104,393	104,393
METERED PORTION	42.00%	75,595	75,595	75,595	75,595	75,595
		179,988	179,988	179,988	179,988	179,988
FLAT RATE PORTION		104,393	104,393	104,393	104,393	104,393
DIVIDED BY FLAT RATE EQUIVALENTS		9,963	9,965	9,967	9,969	9,971
ANNUAL PER FLAT RATE EQUIV	<small>DIVIDED BY</small>	10.48	10.48	10.47	10.47	10.47
		12	12	12	12	12
TYPICAL FLAT RATE EQUIV IS 2.50		0.87	0.87	0.87	0.87	0.87
		2.50	2.50	2.50	2.50	2.50
MONTHLY INCREASE FOR ABOUT 80% OF FVWC CUSTOMERS		2.18	2.18	2.18	2.18	2.18
<b>RATE BASE</b>						
INCREASE IN RATES DUE TO INCREASE IN RATEBASE:						
ADD'L RATEBASE - DUE TO CITY AGREEMENT		1.98	1.98	1.98	1.98	1.98
RETURN ON RATEBASE		11.00%	11.00%	11.00%	11.00%	11.00%
ANNUAL RETURN ON ADD'L R/B		218,073	218,073	218,073	218,073	218,073
INCOME TAX GROSSUP (40%)		141,747	141,747	141,747	141,747	141,747
SUBTOTAL - CITY AGREEMENT		359,820	359,820	359,820	359,820	359,820
INCREASE IN RATES DUE TO INCREASE IN RATEBASE:						
ADD'L RATEBASE - DUE POLLUTER RECOVERY		0.00	1.25	2.50	3.75	5.00
RETURN ON RATEBASE		10.00%	10.00%	10.00%	10.00%	10.00%
ANNUAL RETURN ON ADD'L R/B		0	125,000	250,000	375,000	500,000
INCOME TAX GROSSUP (40%)		0	81,250	162,500	243,750	325,000
SUBTOTAL - POLLUTER RECOVERY		0	206,250	412,500	618,750	825,000
DUE TO CITY AGREEMENT		359,820	359,820	359,820	359,820	359,820
DUE TO POLLUTER RECOVERY		0	206,250	412,500	618,750	825,000
ANNUAL COST TO CUSTOMER		359,820	566,070	772,320	978,570	1,184,820
FLAT RATE PORTION	58.00%	208,696	328,321	447,946	567,571	687,196
METERED PORTION	42.00%	151,124	237,749	324,374	410,999	497,624
		359,820	566,070	772,320	978,570	1,184,820
FLAT RATE PORTION		208,696	328,321	447,946	567,571	687,196
DIVIDED BY FLAT RATE EQUIVALENTS		9,963	9,965	9,967	9,969	9,971
ANNUAL PER FLAT RATE EQUIV	<small>DIVIDED BY</small>	20.95	32.95	44.94	56.93	68.92
		12	12	12	12	12
TYPICAL FLAT RATE EQUIV IS 2.50		1.75	2.75	3.75	4.74	5.74
		2.50	2.50	2.50	2.50	2.50
MONTHLY INCREASE FOR ABOUT 80% OF FVWC CUSTOMERS		4.38	6.88	9.38	11.85	14.35
<b>EXISTING FLAT RATE COST PER MONTH</b>						
EXISTING FLAT RATE COST PER MONTH		15.69	15.69	15.69	15.69	15.69
INCREASE DUE TO SRF SURCHARGE		2.18	2.18	2.18	2.18	2.18
INCREASE DUE TO ADD'L PLANT (RATE BASE)		4.38	6.88	9.38	11.85	14.35
PROPOSED TOTAL COST PER MO PER CUST		22.25	24.75	27.25	29.72	32.22
INCREASE OVER CURRENT RATES		6.56	9.06	11.56	14.03	16.53

## CERTIFICATE OF SERVICE

I hereby certify that I am over the age of 18 and on February 24, 2006 I personally served the **MOTION OF FRUITRIDGE VISTA WATER COMPANY, SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY AND SETTLING PARTIES TO ADOPT SETTLEMENT AGREEMENT FOR A COMPREHENSIVE SOLUTION OF THE CALIFORNIA DEPARTMENT OF HEALTH SERVICES COMPLIANCE ORDER NO. 01-09-05-CO-002 AND TO DEVELOP NEW WATER SUPPLY TO ALLOW FRUITRIDGE VISTA WATER COMPANY TO SERVE NEW DEVELOPMENT PROJECTS IN ITS SERVICE TERRITORY AND FOR ORDER SHORTENING TIME FOR RESPONSES AND REPLIES.** ALJ Walker, ALJ Cooke, and the parties on the attached Service List were served electronically or, where no email address was available, via first-class U.S. Mail.

  
Marilyn Sykes

## Appearance

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SHELDON ADMINISTRATIVE HEADQUARTERS  
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SACRAMENTO, CA 95823

## State Service

LOS ANGELES DOCKET OFFICE  
CALIFORNIA PUBLIC UTILITIES COMMISSION  
320 W. 4TH STREET, SUITE 500  
LOS ANGELES, CA 90013

FRED L. CURRY  
CALIF PUBLIC UTILITIES COMMISSION  
WATER ADVISORY BRANCH  
ROOM 3106  
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SAN FRANCISCO, CA 94102-3214

GLEN WALKER  
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DIVISION OF ADMINISTRATIVE LAW JUDGES  
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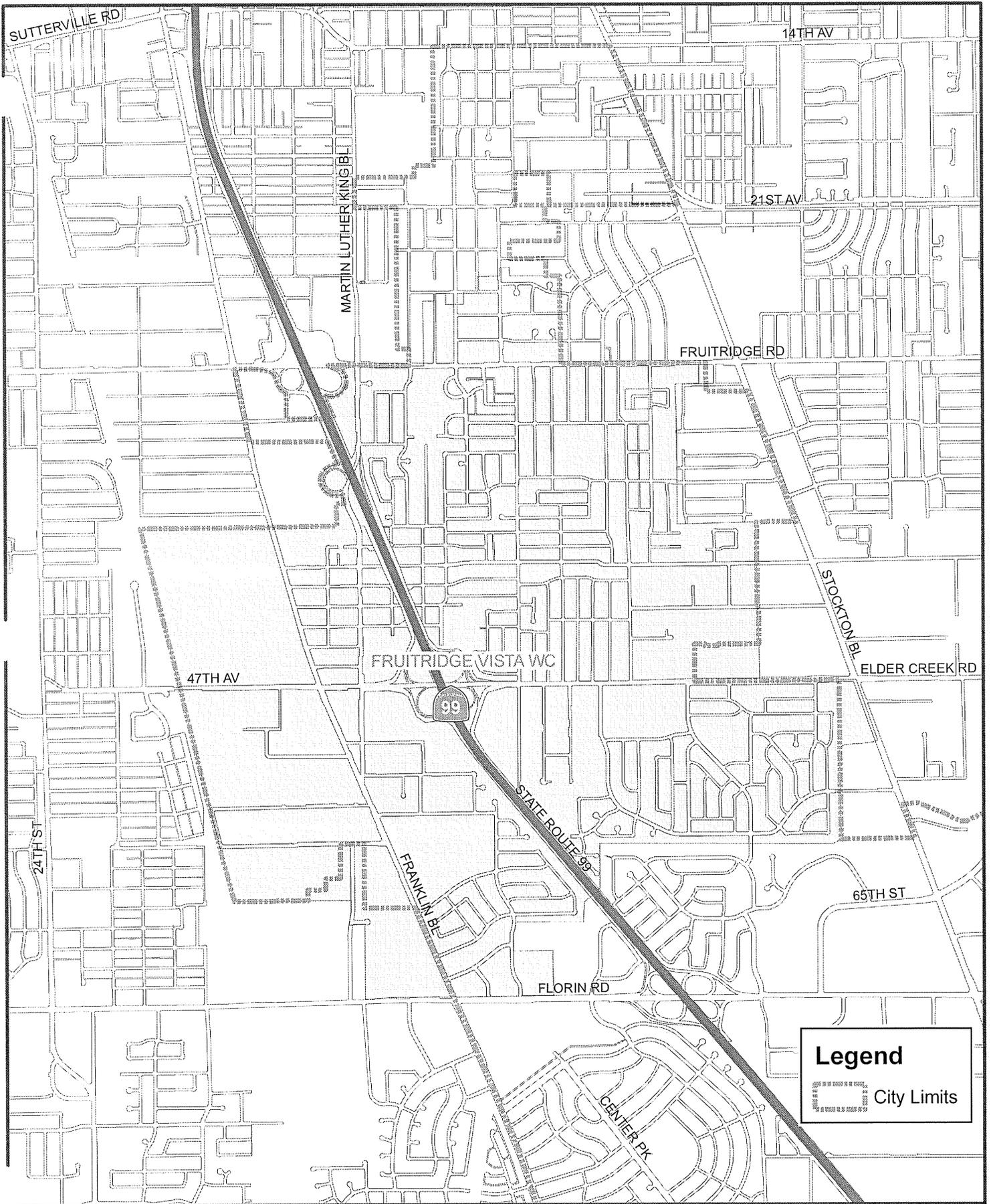
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DEPARTMENT OF HEALTH SERVICES  
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SACRAMENTO, CA 95899-7413



Exhibit B  
Wholesale Service Area



**EXHIBIT B**  
**WHOLESALE SERVICE AREA**





Exhibit C  
Delivery Criteria

**EXHIBIT C**

**MASTER WHOLESALE WATER SERVICE AGREEMENT BETWEEN THE CITY OF SACRAMENTO AND FRUITRIDGE VISTA WATER COMPANY**

**DELIVERY CRITERIA**

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This document specifies delivery criteria and other requirements for wholesale water service to Fruitridge Vista Water Company (Company) from the City of Sacramento (City), pursuant to the above-referenced Master Agreement.

**LIST OF CONTACTS:**

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

Company:	WORK
Water Dispatch/After hours: Company Dispatch	916-443-2607
Steven Cook, Operations Manager	916-443-2607
Robert Cook, Jr., General Manager	916-443-2607

City of Sacramento:	WORK
E.A. Fairbairn WTP Control Room	808-3120
E.A. Fairbairn WTP Hotline	383-1516
Mary Krizanosky, Plant Operator Supervisor	808-3111
Steve Willey, Plant Operator Supervisor	808-7407
Mike Yee, Plant Services Division Manager	808-5583
Roland Pang, Water Superintendent	808-3119

**OPERATIONAL PROCEDURES AND PARAMETERS:**

1. For initial start-up, and any significant flow reduction or shut-down periods, Company will call the E.A. Fairbairn Water Treatment Plant (FWTP) Control Room to communicate delivery status.
2. The City shall be responsible for reading and recording the time and flow quantities.
3. When Company first starts the take of water, or when water deliveries resume after any significant flow reduction or shut down, Company will coordinate with the City so as to not cause a major pressure drop or surge in the City or Company systems.

4. City and Company Operations staff shall work cooperatively to maintain pressure at the Service Connections at or above 30 psig, under normal operating conditions.
5. If pressure at the Service Connection cannot be maintained at or above 30 psig for any period of sixty (60) seconds, the City Operations staff will contact Company's Operations or Dispatch staff to reduce water flow at the Service Connection as necessary to restore a minimum pressure of 30 psig.

**DEFINITION OF PEAK AND NON-PEAK PERIODS:**

Peak Period: April 1 through November 30  
Non-Peak Period: December 1 through March 31

**MAXIMUM INSTANTANEOUS FLOW RATES (FIRM CAPACITY, YEAR AROUND):**

Delivery of City Water under the Master Agreement shall be made at two Service Connections constructed in the following locations:

1. At or near the intersection of Fruitridge Road and Sampson Boulevard.
2. On 47th Avenue, east of the Union Pacific Railroad tracks and west of Franklin Boulevard.

The Company may pump up to 2,250 gallons per minute at either the Fruitridge Road Service Connection turnout or the 47<sup>th</sup> Avenue Service Connection turnout, provided that the aggregate maximum instantaneous rate of water delivery at both Service Connections shall not exceed 2,250 gallons per minute.

**MAXIMUM INSTANTANEOUS FLOW RATES FOR NON-FIRM CAPACITY:**

If Company is receiving deliveries of water using Firm Capacity at the maximum rate specified above, available Non-Firm Capacity may be used to deliver additional water during the Non-Peak Period, provided that the total rate of water delivery using Firm Capacity and Non-Firm Capacity during the Non-Peak Period shall not exceed twice the maximum Firm Capacity rate specified above.

**End of Exhibit C**

ALL STATE LEGAL 800-222-0510 EDR11 RECYCLED



## Exhibit D

### Water Forum Diversion Restrictions

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

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

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

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

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

Water Forum Agreement conditions applicable to wholesale water service from the FWTP during “Below Hodge” conditions:

\* \* \*

e. **Wholesale and Wheeling Water Service – Below Hodge.** Whenever flow bypassing the diversion at the FWTP is less than the Hodge Flow Criteria, any water diverted or treated at the FWTP may be delivered on a wholesale (City Water) or wheeling (non-City water) basis to any public or private water purveyors provided the rate of pumpback<sup>17</sup> is equal to or exceeds the rate of delivery for these purposes on a daily basis.

\* \* \*

<sup>17</sup>This Agreement uses the term “pumpback” which assumes the existence of a metered raw water conveyance facility delivering water from near the confluence of the Sacramento and American rivers to the FWTP.

\* \* \*

ALL STATE LEGAL 800-222-0510 EDR11 RECYCLED



Exhibit E

2006-2007 Wholesale Unit Rate, Service Charge

**FRUITRIDGE VISTA  
WHOLESALE WATER - UNIT COST CALCULATION  
FISCAL YEAR 2006-2007**

1	FY 2007 Operating/CIP Budget: (a)	\$75,848,647	FY 2006 Water Production (AF): (b)	138,653
		BUDGET	UNIT COST ELEMENTS	
<b>OPERATING</b>				
<b>LABOR</b>				
2	Employee Services	20,221,689	\$145.84	
3	Cost Reimb-Credit	(3,524,101)	(\$25.42)	
4	Cost Reimb-Charge	2,663,817	\$19.21	
5	CIP Reimbursement	(257,500)	(\$1.86)	
6		<u>\$19,103,905</u>	<u>\$137.78</u>	
<b>OPERATIONS</b>				
7	Utilities	3,584,453	\$25.85	
8	Operations Equipment	1,048,310	\$7.56	
9	Direct Operations Supplies	3,502,643	\$25.26	
10	Chem & Gases	1,235,068	\$8.91	
11		<u>\$9,370,474</u>	<u>\$67.58</u>	
<b>ADMINISTRATION/OVERHEAD</b>				
12	Office/Admin	2,434,085	\$17.56	
13	Interdepartmental Allocation/Taxes	8,326,702	\$60.05	
14	Comp Liability Exp	856,162	\$6.17	
15	Water Rights/Supply	396,000	\$2.86	
16	Professional Services	1,535,812	\$11.08	
17		<u>\$13,548,761</u>	<u>\$97.72</u>	
18	<b>TOTAL OPERATING</b>	<b>\$42,023,140</b>	<b>\$303.08</b>	
<b>CAPITAL IMPROVEMENT PROGRAM</b>				
19	CIP	\$21,621,000	\$155.94	
20	Debt Service	<u>\$12,204,507</u>	<u>\$88.02</u>	
21	<b>TOTAL CIP</b>	<b>\$33,825,507</b>	<b>\$243.96</b>	
22	<b>TOTAL OPERATING/CIP COSTS</b>	<b>\$75,848,647</b>	<b>\$547.04</b>	
<b>EXCLUDED COSTS</b>				
23	Unrelated Energy Costs	\$0	\$0.00	
24	Unrelated Distribution Costs	(\$10,477,502)	(\$75.57)	
25	Unrelated Dist Overhead	(\$4,985,435)	(\$35.96)	
26	Unrelated Water Rights Costs	\$0	\$0.00	
27	Unrelated CIPs	(\$7,458,500)	(\$53.79)	
28	Unrelated Debt Svc	(\$12,204,507)	(\$88.02)	
29	Non-operating Revenues	<u>(\$12,637,000)</u>	<u>(\$91.14)</u>	
30	<b>TOTAL EXCLUDED COSTS</b>	<b>(\$47,762,944)</b>	<b>(\$344.48)</b>	
31	<b>TOTAL COST</b>	<b>\$28,085,703</b>	<b>UNIT RATE \$202.56 per AF</b>	
32b			<b>\$0.4650 per CCF</b>	
33b			<b>SERVICE CHARGE \$178.22 per month</b>	

NOTES:

- 1) Unit Cost may not match exactly due to rounding.
- 2) Unit Rate is adjusted annually to reflect current costs.



ALL-STATE LEGAL 800-222-0510 EDRI1 RECYCLED

Exhibit F

2006-2007 Connection Fee

**FRUITRIDGE VISTA  
WHOLESALE / WHEELING CONNECTION FEE  
ESTIMATE  
FISCAL YEAR 2006-2007**

<b>DESCRIPTION</b>	<b>NET REPL COST 6/30/2006</b>	<b>CAPACITY mgd</b>	<b>UNIT COST FY/ 05/06</b>
Distribution	36,007,153	360	n/a
Transmission	133,539,833	360	370,944
Hydrants	1,037,296	360	n/a
Storage	29,312,442	360	n/a
Wells	7,674,595	25	306,984
Treatment	306,021,861	360	850,061
Intakes	63,645,739	360	176,794
General	16,983,094	360	47,175
<b>TOTAL</b>	<b>594,222,013</b>		<b>1,751,958</b>

<b>UNIT COST</b>	<b>MGD</b>	<b>TOTAL FEE</b>
1,751,958	3.24 \$	5,676,345