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**WATER TREATMENT PLANT
DEDICATED-CAPACITY CONTRACT**

**BY AND BETWEEN CLEAR CREEK COMMUNITY SERVICES DISTRICT
AND CENTERVILLE COMMUNITY SERVICES DISTRICT**

	<u>Page</u>
Recitals	1-2
1. Definitions of "Capacity" and "Dedicated-Capacity"	2
2. Existing Plant Capacity.	2-3
3. Capacity in Expanded Plant Facilities.	3-4
4. Optional Use of Available Capacity.	4-5
5. Operational Costs.	5
(a) Treatment, Transmission and Conduit	5
(b) Administrative and General	6
6. Storage Facilities	6
7. Metering.	6-7
8. Unforeseen Circumstances, Special Requirements and Extraordinary Costs.	7-8
9. Contract Performance Conditioned Upon Financing	8
10. Term of Contract and Renewal.	8-9
11. Existing Contract Superseded in Part.	9
12. Water Supply - Sales Not Guaranteed by Treatment Capacity.	9-10
13. Assignment.	10
14. Dispute Resolution by Arbitration.	10-12
15. Entire Agreement and Subsequent Modifications	12

1 E. WHEREAS, both CLEAR CREEK and CENTERVILLE anticipate
2 growth and future demand for treated water in their respective
3 Districts and they wish to have expanded water treatment capacity
4 available to them to meet anticipated future demand; and

5 F. WHEREAS, CENTERVILLE wishes to fund the development and
6 purchase certain dedicated-capacity in a planned expansion of the
7 CLEAR CREEK Plant, while paying appropriate charges for treatment
8 of water conveyed to CENTERVILLE by CLEAR CREEK.

9 IT IS, THEREFORE, AGREED AS FOLLOWS:

10 1. Definitions of "Capacity" and "Dedicated-Capacity". For
11 all purposes pertinent to this contract the terms "capacity" and
12 "dedicated-capacity" shall refer to the amount of the instant
13 capability of the Plant to treat water at any point in time, as
14 opposed to an average volume of treatment over a period of time.
15 Thus these terms relate to the maximum rates of flow of treated
16 water which will be available from the Plant; these terms do not
17 relate to averaged demand for water, such as average annual usage
18 or any daily average. Capacity and/or dedicated-capacity which is
19 not used when it is available cannot be stored, banked, or reserved
20 for later use by either party.

21 2. Existing Plant Capacity. CLEAR CREEK agrees to sell and
22 CENTERVILLE agrees to purchase dedicated-capacity in the Plant,
23 such that CENTERVILLE shall be entitled to the availability of 25%
24 of the current treatment capacity of the Plant. CENTERVILLE shall
25 be given a credit of existing Plant capacity equivalent to
26 CENTERVILLE's proportionate contribution to capital costs of

1 constructing the existing Plant (as evidenced by the CLEAR
2 CREEK/CENTERVILLE Contract dated 11/25/81) based upon historical
3 cost of the facility, taking into account the effects of deprecia-
4 tion and inflation to the present date. The parties have deter-
5 mined said credit is equivalent to 16.34% of the capacity of the
6 existing Plant. CENTERVILLE shall pay CLEAR CREEK for 8.66% of
7 existing capacity - so that CENTERVILLE will have 25% dedicated-
8 capacity in the Plant - at the present actual value of the
9 facilities. The present actual value of the existing Plant has
10 been determined on the basis of replacement cost less depreciation,
11 and the parties have determined that said payment amount due from
12 Centerville shall be \$123,491.68, with interest thereon at the rate
13 of 5% from July 1, 1994 until the payment due date. CENTERVILLE's
14 dedicated-capacity purchased pursuant to this paragraph shall be
15 effective upon completion of the expansion of the Plant, with
16 payment therefore due at that time, with interest from that time
17 forward accruing at 10% (simple) per annum until fully paid, but in
18 no event shall payment be made later than 6 months from the due
19 date thereof. If for any reason the expansion of the Plant cannot
20 be carried out, no sale of the existing capacity of the Plant shall
21 be consummated and the provisions of this article shall deemed
22 void.

23 3. Capacity in Expanded Plant Facilities. CLEAR CREEK
24 agrees to sell and CENTERVILLE agrees to purchase 25% dedicated-
25 capacity in an expanded plant which will have a design capacity of
26 20 mgd with the filters operating at 6 gpm/square foot (see
27 Montgomery Watson/Pace Engineering Report dated April, 1994).

1 Payment shall be 25% of the actual total costs of construction of
2 the plant expansion. Payments shall be made in installments in
3 such amounts and at such times as to provide for payment of
4 construction costs as they are incurred. CLEAR CREEK's development
5 or construction contract price for construction of the plant
6 expansion shall be subject to prior approval of CENTERVILLE as to
7 its willingness to pay a 25% share. All other actual costs of
8 constructing the plant expansion shall not be subject to prior
9 approval of CENTERVILLE and CENTERVILLE shall pay 25% of said
10 costs, provided only that said costs are reasonable and necessary
11 for completion of the plant expansion. The phrase "all other costs
12 of constructing" shall not include any of CLEAR CREEK'S contract
13 administration costs, construction inspection costs, or other labor
14 costs incurred by CLEAR CREEK without the prior approval of
15 CENTERVILLE. In the event that CENTERVILLE and CLEAR CREEK cannot
16 agree on an approved development/construction contract price for
17 construction of the project, then the provisions of this contract
18 providing for construction and operation of expanded treatment
19 plant facilities shall be deemed null and void.

20 4. Optional Use of Available Capacity. In consideration of
21 the covenants herein contained, CENTERVILLE may, at its option, but
22 only after it has fully utilized its 25% dedicated-capacity, use
23 any additional treatment capacity in the plant that is available
24 and not being put to use by CLEAR CREEK. CLEAR CREEK may, at its
25 option, but only after it has fully utilized the 75% treatment
26 capacity reserved for itself, use any of the treatment capacity
27 dedicated to CENTERVILLE which is available and not being put to

1 use by CENTERVILLE. Available capacity may be used to meet short-
2 term peak requirements or ongoing long-term demands without
3 particular limitation. However, such optional use of available
4 capacity by CENTERVILLE or CLEAR CREEK shall not result in either
5 party acquiring a vested right to continue the use of such
6 capacity. Capacity in the plant put to optional use by either
7 party shall be automatically withdrawn as necessary either to
8 provide CENTERVILLE its 25% dedicated-capacity or CLEAR CREEK its
9 75% reserved capacity, as the case may be.

10 5. Operational Costs. Operational costs shall be divided
11 among two components - (a) treatment, transmission and conduit, and
12 (b) administrative and general - to be paid by CENTERVILLE to CLEAR
13 CREEK. Operational costs shall be billed monthly to CENTERVILLE,
14 with payment due within 30 days from the date of billing. Unpaid
15 amounts for which any payment is delinquent shall accrue interest
16 at the rate of 10% (simple) per annum until fully paid.

17 (a) Treatment, Transmission and Conduit. CENTERVILLE shall
18 pay a portion of CLEAR CREEK's total on-going direct costs for
19 water treatment, transmission and conduit, maintenance and repair
20 of the Plant and the Muletown Conduit facilities to CENTERVILLE's
21 main turnout point, equal to CENTERVILLE's percentage use of the
22 total quantity of water treated by the Plant.

23 (b) Administrative and General. CENTERVILLE shall pay a
24 share of the indirect cost of administrative and general overhead
25 expenses incurred by CLEAR CREEK in the amount of \$17.37 per acre
26 foot of treated water delivered to CENTERVILLE. The charges for
27 administrative and general overhead shall be adjusted annually,

1 commencing July 1, 1995, in accordance with changes in the consumer
2 price index (CPI) for all urban consumers, all items, San Francis-
3 co/Oakland, California, published by the Bureau of Labor Statis-
4 tics, U.S. Dept. of Labor.

5 6. Storage Facilities. Existing storage facilities and any
6 future storage facilities (such as storage tanks and reservoirs)
7 constructed either by CLEAR CREEK or CENTERVILLE for storage of
8 water treated by this Plant shall be owned and operated
9 independently by the respective districts. This contract does not
10 constitute a commitment by either district to construction or
11 operation of existing or future storage facilities. The parties
12 shall endeavor, without being bound by this contract to do so, to
13 construct and/or operate storage facilities in a cooperative manner
14 so as to maximize utilization and the effective operation of the
15 treatment Plant.

16 7. Metering. CLEAR CREEK and CENTERVILLE shall each be
17 solely responsible for installation, maintenance, repair and
18 replacement of their own metering equipment for the treated water
19 taken from the plant by CLEAR CREEK and the treated water delivered
20 to CENTERVILLE, respectively. The metering equipment shall be
21 accurate within industry standards, shall be kept in good working
22 order at all times, and shall comply with any standards or
23 regulations as may be imposed by the United States Bureau of
24 Reclamation for water purchased through the Center Valley Project.
25 CLEAR CREEK shall have responsibility for monitoring of the
26 metering equipment as part of the overall management and operations
27 of the plant, and shall have access to CENTERVILLE's metering

1 equipment for that purpose. All metering information shall be
2 freely available to both parties.

3 8. Unforeseen Circumstances, Special Requirements and
4 Extraordinary Costs. The parties acknowledge that unforeseen
5 circumstances may arise during the term of this contract that may
6 cause a material change in the operations of the plant, and/or
7 impose special new requirements on the treatment of water, and/or
8 cause unanticipated extraordinary costs to be incurred. Such
9 unforeseen circumstances might include (but are not limited to) for
10 example, changes in law that significantly alter requirements for
11 water treatment, or a catastrophic event that damages or destroys
12 portions of the treatment Plant or the Muletown Conduit. In the
13 event such unforeseen circumstances arise, the parties shall
14 continue this contract and shall share in the cost of correction,
15 cure, or modified operations in accordance with the cost sharing
16 formula and respective responsibilities of the parties as herein-
17 above set forth; provided only that, the parties may suspend
18 performance under this contract only if such unforeseen circumstanc-
19 es results in complete frustration of purpose of the contract.
20 Changes in the price of water sold by CLEAR CREEK to CENTERVILLE,
21 or changes in price of CVP project water to CENTERVILLE delivered
22 through the plant, or changes in the quantities of CVP project
23 water made available to CENTERVILLE (through CLEAR CREEK or
24 others), shall not be cause for suspension of performance under
25 this contract. Any disagreement between the parties as to the
26 interpretation or application of this paragraph shall be resolved
27 by arbitration as provided in this contract.

1 9. Contract Performance Conditioned Upon Financing. Both
2 Clear Creek and Centerville shall exercise due diligence and good
3 faith in seeking to obtain financing for their respective financial
4 obligations to carry out performance under this contract. Upon
5 obtaining the necessary commitments for financing each party shall
6 notify the other in writing that the financing for its obligations
7 under the contract has been obtained. If, however, despite the
8 exercise of due diligence and good faith, either Clear Creek or
9 Centerville is unable to obtain the necessary financing to perform
10 under this contract, then the contract shall be deemed suspended in
11 its entirety. A determination by either party that the contract is
12 suspended shall be served by written notice on the other party.
13 Following such suspension of the contract, if either party
14 determines in good faith that further pursuit of the unobtained
15 financing would be futile, that party may declare the contract
16 void; such declaration shall be served by written notice on the
17 other party.

18 10. Term of Contract and Renewal. The term of this contract
19 is for 30 years from the date of completion of construction of the
20 expansion project. Upon expiration of the initial term the
21 contract shall be automatically renewed and the term extended an
22 additional 20 years, unless either party provides to the other
23 party written notice of termination at least 1 year prior to the
24 expiration of the initial term.

25 11. Existing Contract Superseded in Part. The contract
26 between CLEAR CREEK and CENTERVILLE dated November 25, 1981
27 provided for both water treatment and the sale of water. This

1 contract provides only for water treatment and water treatment
2 facilities, without providing for sales of water. This contract
3 supersedes the prior contract dated November 25, 1981, to the
4 extent that said prior contract provides for water treatment and
5 treatment facilities. The remaining portions of the prior contract
6 dated November 25, 1981 relating to water sales are deemed to be
7 severable and shall remain in full force and effect until said
8 prior contract expires at the end of the term of that contract or
9 by mutual agreement of CLEAR CREEK and CENTERVILLE.

10 12. Water Supply - Sales Not Guaranteed By Treatment
11 Capacity. It is understood that CLEAR CREEK's provision of
12 dedicated-capacity in the treatment plant to CENTERVILLE is
13 separate and distinct from future agreements that may or may not be
14 reached between the parties regarding sales of water by CLEAR CREEK
15 to CENTERVILLE. This contract does not constitute a guarantee or
16 assurance that future agreements as to sales of water will be
17 reached between the parties, nor is any assurance extended as to
18 possible quantities of water or water prices in potential future
19 sales of water. CLEAR CREEK acknowledges CENTERVILLE's right to
20 purchase water from sources other than CLEAR CREEK and transport
21 such water, subject to Bureau of Reclamation approval, from
22 Whiskeytown lake through the 'project facilities' as that term is
23 defined by the Bureau of Reclamation/Clear Creek Contract No. 14-
24 06-200-489-A, to CENTERVILLE's turnout points on the Muletown
25 Conduit.

26 13. Assignment. This contract, including the rights and
27 obligations arising from it, may be assigned by either party to

1 another public entity. A successor public entity shall benefit
2 from and be bound by all of the provisions of this contract. If
3 the assigning party continues in existence beyond the date of
4 assignment of its rights and obligations under this contract, then
5 the assigning party shall continue to be obligated and remain
6 liable for full performance of this contract, unless the assigning
7 party is expressly released by the other party to this contract.

8 14. Dispute Resolution by Arbitration. If any party shall
9 object to any act or performance under this agreement, the party
10 shall notify all other parties in writing and shall specify the
11 nature of the objection and the specific alternatives proposed by
12 the objecting party. Thereafter, if the parties shall not agree
13 within ten (10) days from the date of mailing such written
14 specification, an arbitrator shall be appointed and serve to
15 determine all the issues disputed.

16 (a) The determination of the arbitrator shall be final and
17 binding upon each party and each party specifically waives any
18 right to claim that the arbitrator has exceeded the scope of the
19 arbitration, has disregarded evidence or principle of law, and,
20 further, waives any right to disclaim the qualification or function
21 of the arbitrator in any manner or fashion.

22 (b) Appointment of the arbitrator shall be made by mutual
23 agreement of the parties or their successors. If the parties
24 cannot agree upon the identification of the arbitrator, the
25 arbitrator shall be chosen by the superior court in and for the
26 County of Shasta. The arbitrator shall be a registered civil
27 engineer with experience in public administration and water

1 treatment plant operations.

2 (c) The arbitrator's fees and fees and costs of petitioning
3 for the appointment of the arbitrator shall be paid by one or both
4 parties to the arbitration in accordance with the determination of
5 the arbitrator as to the fair apportionment of such fees and costs.
6 The arbitrator upon rendering its award shall determine the party
7 that prevailed based upon written statements made by each party at
8 he commencement of the arbitration as to the position of parties
9 and their alternatives for settling the matter. A statement of a
10 proposed settlement shall not be binding upon any party and shall
11 not be considered as evidence by the arbitrator except to the
12 extent that the arbitrator upon making his sole and independent
13 determination shall determine the party which prevailed based upon
14 the proposals for settlement of the matter made by each party and
15 shall determine that the non-prevailing party shall pay some or all
16 of the costs of arbitration including any costs incurred by the
17 arbitrator and in employing experts to advise the arbitrator in
18 regard to specific subjects or questions. The arbitrator may
19 further award the cost of attorneys' fees or expert witnesses
20 consulted or employed in the preparation or presentation of
21 evidence to the arbitrator by the prevailing party if, in the
22 arbitrator's determination, the position of the non-prevailing
23 party was not reasonably taken or maintained.

24 (d) The arbitrator's determination may further provide for
25 prospective enforcement and directions for the parties to comply
26 with. Under such circumstances, the arbitrator's award shall be
27 binding upon the parties and shall be undertaken and performed by
28 each of the parties until such time as the arbitrator's directions

1 to the party shall lapse by their terms, or the arbitrator shall
2 notify the parties that those terms are no longer in force or
3 effect or shall modify these terms. The arbitrator may require the
4 respective parties to execute further easements, documents or
5 covenants to enforce the terms of this agreement of the
6 arbitrator's award. Each party shall promptly do so if so ordered.

7 15. Entire Agreement and Subsequent Modifications. This
8 contract represents the entire agreement between the parties as to
9 the subject matter addressed herein. This contract shall not be
10 modified or amended except upon mutual consent of the parties that
11 has been reduced to writing and approved by the governing boards of
12 both CLEAR CREEK and CENTERVILLE.

13 IN WITNESS WHEREOF, the parties have executed this agreement
14 as of Oct. 20, 1994, at Redding, Shasta County, California.

15 CLEAR CREEK COMMUNITY
16 SERVICES DISTRICT

17 BY: Lawrence A. Russell
18 LAWRENCE A. RUSSELL - CHAIRMAN

19 ATTEST:

20 BY: William R. Suppa
21 CLERK OF THE BOARD

22 CENTERVILLE COMMUNITY
23 SERVICES DISTRICT

24 BY: Joan L. Gannon
25 JOAN GANNON - CHAIRMAN

26 ATTEST:

27 BY: Philip H. Gannon
28 CLERK OF THE BOARD

