

**AGREEMENT FOR IRVINE RANCH WATER DISTRICT INTERTIES TO
ORANGE COUNTY WATER DISTRICT GREEN ACRES PROJECT AND
GROUNDWATER REPLENISHMENT SYSTEM AND
ORANGE COUNTY SANITATION DISTRICT OUTFALL**

This Agreement ("Agreement"), dated this 21st day of December 2011, is made and entered into by and between ORANGE COUNTY WATER DISTRICT, a district organized and existing pursuant to the Orange County Water District Act, Chapter 924 of the California Statutes of 1933, as amended ("OCWD"), IRVINE RANCH WATER DISTRICT, a California water district organized and existing pursuant to the California Water District Law, California Water Code Section 34000 *et seq.* ("IRWD"), ORANGE COUNTY SANITATION DISTRICT, a county sanitation district organized and existing pursuant to the County Sanitation District Act, California Health & Safety Code Sections 4700 *et seq.* ("OCSD") and the CITY OF NEWPORT BEACH ("CNB"), a municipality incorporated under state law in 1906. OCWD, IRWD, OCSD and CNB are sometimes individually referred to herein as a "Party" and collectively as the "Parties."

RECITALS:

WHEREAS, OCWD, IRWD and the CNB entered into an agreement, entitled "Agreement," dated July 17, 1996, as amended by Revised Amendment to Agreement dated September 18, 1996, and Amendment No. 2 to Agreement dated December 18, 1996 (the "1996 Intertie Agreement"), providing for, among other things, the construction and operation of an intertie (the "Intertie") to convey recycled water from IRWD's Michelson Water Reclamation Plant (MWRP) to OCWD's Green Acres Phase II pipeline ("GAP II"); and

WHEREAS, the 1996 Intertie Agreement further provided for the execution of an agreement between OCWD and OCSD's predecessor agencies, and such agreement, entitled "Second Amended and Restated Agreement for Utilization of Reclaimed Wastewater," was entered into on January 15, 1997 (the "Wastewater Utilization Agreement"), pursuant to which OCSD is obligated to accept from OCWD a minimum quantity of recycled water; and

WHEREAS, OCWD, IRWD, OCSD's predecessor agencies and the CNB entered into an agreement, entitled "Agreement For Operation of Green Acres Project Intertie and Outfall Connection," dated April 15, 1998 (the "1998 Operating Agreement"), establishing operating agreements and conditions for the use of the Intertie, GAP II and a connection (the "Outfall Connection") between GAP II and the ocean outfall at OCSD's Plant No. 2 in the City of Huntington Beach (the "Outfall"); and

WHEREAS, OCWD and OCSD entered into an agreement, entitled "Joint Exercise of Powers Agreement for the Development, Operation and Maintenance of the Groundwater Replenishment System and the Green Acres Project," dated November 12, 2002, as amended by Amendment No. 1 dated October 15, 2003, and Amendment No. 2 dated April 26, 2006 (the "2002 Agreement"), which, among other things, incorporated certain provisions of the Wastewater Utilization Agreement and terminated the Wastewater Utilization Agreement; and

WHEREAS, the 2002 Agreement was replaced by an agreement, entitled the "Amended Joint Exercise of Powers Agreement for the Development, Operation and Maintenance of the Groundwater Replenishment System and the Green Acres Project", dated May 5, 2010 (the "2010 OCWD-OCSD GWRS Agreement") which preserved all the rights and obligations set forth in those portions of the 2002 Agreement incorporated by reference in the 2010 OCWD-OCSD GWRS Agreement; and

WHEREAS, OCWD was issued producer/user water recycling requirements for the Groundwater Replenishment System ("GWRS") by the California Regional Water Quality Control Board, Santa Ana Region ("RWQCB"), which include findings of fact made by the California Department of Public Health ("CDPH"), via Order No. R8-2004-002 and Amending Order No. R8-2008-0058 (the "GWRS permit"); and

WHEREAS, both the 1996 Intertie Agreement and the 1998 Operating Agreement, by their respective terms, will expire on January 15, 2012, the end of the fifteen (15) year term described in the 2002 Agreement and the 2010 OCWD-OCSD GWRS Agreement ("the "Prior Expiration Date"); and

WHEREAS, the Parties desire to enter into this Agreement to consolidate, modify and replace the 1996 Intertie Agreement and the 1998 Operating Agreement (collectively, the "Prior Agreements"), in order to continue the operation of the Intertie, GAP II and the Outfall Connection following the Prior Expiration Date; and

WHEREAS, the effective date of this Agreement (the "Effective Date") shall be January 16, 2012; and

WHEREAS, this Agreement is a successor agreement to the 1996 Intertie Agreement and the 1998 Operating Agreement; and

WHEREAS, OCSD and IRWD entered into a Memorandum of Understanding dated February 11, 1987 (the "1987 Source Control MOU") to memorialize, among other things, that IRWD's source control program shall in no instance be less stringent than OCSD's source control program; and

WHEREAS, the parties to the 1996 Intertie Agreement stipulated terms and conditions for IRWD to supply Recycled Water to the IRWD planned Wetlands Water Supply Project (WWSP) and allow under specified conditions for the discharge of said Recycled Water to San Diego Creek and Newport Bay if the Basic Integrated Reuse Project (GAP II and the Intertie) was not constructed by October 1, 1997; and

WHEREAS, the parties to the 1996 Intertie Agreement completed the Basic Integrated Reuse Project prior to October 1, 1997, and IRWD constructed the WWSP to use San Diego Creek water as supply water for the wetlands in lieu of Recycled Water

NOW, THEREFORE, in consideration of the promises and covenants herein contained, OCWD, IRWD, OCSD and CNB agree as follows:

AGREEMENT:

Section 1. Ownership of Facilities. The facilities described below in this Section are schematically depicted on Exhibits "A-1," "A-2," "B" and "C," which are attached hereto and incorporated herein by this reference.

1.1 IRWD Facilities. IRWD owns (i) the Intertie, Intertie meter and vault, associated telemetry equipment and all associated appurtenances upstream of the downstream side of the Intertie meter vault on University Drive, as depicted in Exhibit A-1, and (ii) the Outfall Connection telemetry and Cla Valve at OCSD's Plant No. 2. In addition, by this Agreement IRWD assumes ownership from OCWD of approximately 1,300 feet of 24-inch diameter pipeline in University Drive between the downstream side of the Intertie meter vault and the point of connection with the OCWD GAP II pipeline in Jamboree Road that was designed and constructed by IRWD as part of the Basic Integrated Reuse Project, as depicted in Exhibit A-2 (the "Connector Line"). Bonita Creek Park, which is served from the Bonita Creek Park dedicated service line off of the Connector Line, will continue to be an OCWD GAP customer.

1.2 OCWD Facilities. OCWD owns (i) GAP II and associated telemetry equipment and all associated appurtenances downstream of the point of connection between the OCWD GAP II pipeline and the Connector Line in Jamboree Road, (ii) the Bonita Creek Park dedicated service line downstream of the point of connection thereof with the Connector Line, and (iii) all other Green Acres Project ("GAP") and GAP II facilities not included in Paragraph 1.1 or 1.3 hereof, and shall own and maintain (iv) the microfiltration feed ("MFF"), trickling filter ("TF"), activated sludge ("AS"), and IRWD feed ("IT") meters and GWRS Screening Facility & Overflow Weir, and OCWD shall own (v) a new connection ("GWRS Connection") to be constructed as provided in this Agreement between OCSD Plant No. 1 Secondary Effluent Junction Box 6 ("SEJB 6") and the 24" GAP pipeline located in Garfield Avenue immediately south of OCSD's Plant No. 1 facility, as depicted in Exhibit C, such that the IRWD flows described in Section 4 can be supplied as influent to OCWD's GWRS project. The GWRS Connection shall include a flow control valve, pressure reducing valve and flow metering device to measure the volume of the IRWD Recycled Water to the GWRS system. The flow metering device shall include remote flow indication at OCSD and OCWD control centers. The device shall be equipped with a flow totalizer and a continuous recorder that logs the time, date, and flow volume. The GWRS Connection shall also incorporate an accessible sample point with suitable pressure regulation. OCSD shall be given the opportunity to review and approve the choice of metering equipment and components, and sample point location.

1.3 OCSD Facilities. OCSD owns the Outfall Connection exclusive of all associated telemetry and Cla Valve but inclusive of the meter, as depicted in Exhibit B.

Section 2. Maintenance of Facilities. The Parties agree that each of the facilities and appurtenant equipment and telemetry shall be maintained and operated by the Party owning it as set forth in Section 1.

Section 3. Construction of GWRS Connection. OCWD shall design and construct the GWRS Connection. The GWRS Connection shall be designed and constructed to be capable of accepting flows delivered by IRWD in the amounts specified in Section 4, through the Intertie and GAP II and conveying such flows to the GWRS via OCSD's SEJB 6.

Section 4. Discharge of Recycled Water Flows by IRWD. IRWD shall be entitled to discharge at its sole discretion up to 8 million gallons per day (mgd) of water treated in accordance with the standards set forth in California Code of Regulations Title 22 ("Recycled Water") to the Intertie at any time. IRWD shall provide notice to OCWD at least fourteen (14) days prior to each scheduled date for commencement or cessation of the discharge of Recycled Water to the Intertie. In the event that IRWD elects to discharge Recycled Water to the Intertie, IRWD shall, at a minimum, discharge up to 4 mgd of Recycled Water, as determined by OCWD in its discretion, to satisfy the average demands of GAP customers. IRWD understands that OCWD will not operate the GAP plant, clearwell, pump stations or Santa Ana GAP Reservoir whenever IRWD is delivering Recycled Water to the Intertie. Until OCSD completes its "J-109" project, GAP customers could generate up to 8 mgd of demand, and IRWD agrees to make a good faith effort to accommodate this demand when electing to discharge Recycled Water to the Intertie. IRWD agrees not to operate the Intertie on an intermittent basis, but rather to attempt in good faith to operate the Intertie on a continuous basis for each Intertie delivery season that IRWD elects to commence discharges of Recycled Water to the Intertie.

4.1 Compensation for Recycled Water Discharged to the Intertie. In the event that IRWD elects pursuant to the preceding paragraph to discharge Recycled Water to the Intertie, IRWD will not be entitled to any compensation for such discharged Recycled Water. However, if OCWD requests in writing that IRWD discharge Recycled Water to meet GAP or GWRS supply needs at a time when IRWD has not itself elected to discharge Recycled Water to the Intertie, then OCWD agrees to compensate IRWD for the specifically requested flows at a rate equivalent to IRWD's cost to provide tertiary treatment and the cost to deliver the Recycled Water to OCWD at the Intertie when surplus Recycled Water is available. If Recycled Water is not available, then OCWD will compensate IRWD for the specifically requested flows at a rate equivalent to MWD full service untreated water rate.

Section 5. Acceptance of Recycled Water Flows.

5.1 Acceptance in GWRS Facilities. OCWD may accept any Recycled Water discharged by IRWD to the Intertie for use to supply GAP users or for treatment by the GWRS. Recycled Water that is discharged by IRWD to the Intertie shall be deemed to have been delivered through the GWRS Connection to the Outfall (as described in Section 5.2) if it is discharged by IRWD to the Intertie when GWRS is not receiving any influent water and the control valve at the GWRS Connection is in the open position. The quantities of Recycled Water delivered to GAP or GWRS and deemed to have been delivered to the Outfall shall be determined from meter readings as provided in Section 12.2. OCWD will not be entitled to any compensation for treating or disposing of Recycled Water.

5.2 Acceptance of up to 8 mgd in OCSD Outfall. OCSD shall accept up to 5 mgd of Recycled Water not accepted by OCWD and deemed to have been discharged by

IRWD through the GWRS Connection to the Outfall. The IRWD water that flows through the GWRS Connection at SEJB 6 reaches the OCSD Outfall by overflowing the weir at the GWRS Screening Facility and flowing through SEJB 3, or by overflowing the weirs at SEJB 6 to OCSD's Plant No. 1 SEJB 7, to the Outfall pipelines transporting flow to the Outfall pumping facilities. OCSD shall accept up to an additional 3 mgd of Recycled Water discharged by IRWD directly to the Outfall Connection.

5.3 No Required Flow. Nothing in this Agreement shall require IRWD to deliver any Recycled Water to GAP II.

5.4 LRP Payments. IRWD relinquishes any claim to receive Local Resources Program (LRP) subsidy payments from The Metropolitan Water District of Southern California for Recycled Water delivered to the Intertie.

5.5 No Required Acceptance for GWRS. Nothing in this Agreement shall require OCWD to accept any Recycled Water from IRWD for use in, treatment by or discharge through GWRS.

Section 6. Access to IRWD's Outfall Connection Telemetry. To obtain access to OCSD's property for routine and scheduled maintenance or repairs of the Outfall Connection telemetry and Cla Valve, IRWD shall provide OCSD with written or electronic notice not less than one (1) week prior to the date of the maintenance to comply with any and all security provisions adopted or instituted by OCSD, with respect to access into and across OCSD property. The security provisions shall also ensure that persons using IRWD's access license on OCSD's property, including, but not limited to any regular full-time, temporary, part-time or limited-term employees of IRWD or of an IRWD contractor, are made aware of OCSD security access provisions and restrictions. In the event of an emergency, IRWD shall notify OCSD by telephone prior to access. OCSD hereby confirms, ratifies and continues in effect the non-exclusive license conveyed to IRWD pursuant to the 1998 Outfall Connection Agreement for access to the Outfall Connection Cla Valve and telemetry and for such access purposes over the portions of OCSD's Plant 2 property depicted on Exhibit "B"; provided, that OCSD may modify the license area or designated access route from time to time following written notice to IRWD.

Section 7. Shutdown of IRWD's Flows to OCSD's Outfall. The Outfall Connection is intended to be used for the disposal of Recycled Water delivered by IRWD through the Intertie and GAP II, at any time elected by IRWD as specified in Section 4, which is in excess of the amount accepted into GAP and the GWRS under Sections 5.1 and 5.2. The overflow weir at the GWRS Screening Facility allows IRWD flows at the Plant No. 1 GWRS Connection to enter the OCSD outfall and is also intended to be used for the disposal of Recycled Water delivered by IRWD through the Intertie and GAP II, at any time elected by IRWD, which is in excess of the amount accepted into GAP and the GWRS. It may be necessary for OCSD to temporarily shut down Recycled Water deliveries into the Outfall via either the GWRS Connection or the Outfall Connection for scheduled or emergency maintenance or repairs or during conditions of high flows through the Outfall, such as in storm events. During such shutdowns, IRWD agrees to divert any flow of Recycled Water, in excess of the amount being accepted into GAP and from the GAP II system into the GWRS, to either the OCSD Main

Street Pump Station or, if possible, to IRWD storage facilities. OCSD shall provide IRWD with written notice one (1) week prior to the date of any scheduled maintenance or repair. In the event of emergency high flow conditions or maintenance requiring a shutdown of the Recycled Water deliveries into the Outfall, OCSD shall give reasonable notice to IRWD by telephone prior to the shutdown. OCSD shall use reasonable efforts to schedule maintenance and repairs during the non-rainy season.

Section 8. Pumping, Operation & Maintenance and Dechlorination Costs. At the end of each fiscal year, OCSD will estimate the cost per gallon of pumping Recycled Water flows (i) delivered from the Outfall Connection into the Outfall, and (ii) not used by OCWD and deemed to have been delivered through the GWRS Connection to the Outfall, using actual costs for operation and maintenance of the Outfall for the previous 12 months, and will compute the total pumping, operation and maintenance, and dechlorination costs for such fiscal year, using the information generated by OCWD, IRWD and OCSD pursuant to Section 12.2 hereof and the cost formulas set forth in Sections 8.1 and 8.2. IRWD shall pay the annual pumping, operation and maintenance, and dechlorination costs to OCSD annually, not later than December 31, 2012, and not later than December 31 of each year thereafter. Each annual payment shall constitute payment of the costs for annual pumping, operation and maintenance, and dechlorination for the Recycled Water flows from the Outfall Connection into the Outfall and the GWRS Connection into the Outfall during the fiscal year ended on June 30 preceding the December 31 payment date. OCSD shall, on or before September 30 following the close of the fiscal year, provide a written statement to IRWD setting forth the calculation of the pumping, operation and maintenance, and dechlorination costs for that fiscal year. OCSD shall periodically review all costs related to operating the Outfall and, if deemed necessary, adjust the cost factor used for determining the total Outfall pumping, operation and maintenance, and dechlorination costs (the variable "E" as used in the formulas in Sections 8.1 and 8.2) without amending this Agreement, by giving sixty (60) days advance notice to IRWD. IRWD has the right to examine all costs and calculations used by OCSD in determining IRWD's total cost.

8.1 Cost Formula for outfall flows via GWRS Connection. The formulas below will be used to compute IRWD's annual cost for flows deemed to have been delivered through the GWRS connection (OCWD IT Meter) to the Outfall for a given fiscal year period.

During any period when GWRS is off or GWRS operations are reduced to a level below the low flow influent levels of OCSD's Reclamation Plant No. 1, all flows discharged by IRWD will be charged.

Prior to OCWD storage tanks becoming operational and during periods when GWRS is operational above the minimum daily flows at Reclamation Plant No. 1, flows delivered between the hours of 0430 and 0930 will be assumed to enter the GWRS system and will not be charged. Flows delivered during the remaining portion of the day will be charged. The staff representatives, pursuant to Section 13, may periodically review the actual GWRS operations to determine if the hours need to be adjusted to better reflect IRWD flows actually entering the GWRS system.

After OCWD storage tanks become operational and during periods when GWRS is operational

above the minimum daily flows at Reclamation Plant No. 1, the total flow to be charged will be based on the following formula:

$$X = (A - (B - C)) * (E / D)$$

X = Cost to IRWD for Operation of the Ocean Outfall in dollars

A = IRWD Flow to the GWRS Connection at OCWD's IT Meter in million gallons (MG)

B = OCWD Flow to the GWRS Microfiltration Unit at OCWD's MFF Meter in MG

C = OCSD Influent Flow to Reclamation Plant No. 1 in MG

D = OCSD Total Effluent Flow to Ocean Outfall System in MG

E = OCSD Costs to Operate and Maintain the Ocean Outfall System in \$'s

Where if A-(B-C) is less than zero use \$0 for charges to IRWD. Where (B-C) is a negative number, use 0.

Flow totalization numbers for values A and B above will be recorded and reported on a daily basis by OCWD. OCSD will be responsible to record daily flow totalization numbers for value C, and perform the daily calculation (A-(B-C)). OCSD will make the information available to IRWD on a monthly basis. On an annual basis, before the billing invoice to IRWD is generated by OCSD, OCSD will calculate the total annual cost of operations and maintenance of the outfall system for the prior year (value E) and totalize the annual Outfall flow for the prior year (value D). Pursuant to Section 13, the Parties' staff representatives may revise this formula and change the recording and reporting responsibilities as operating circumstances necessitate such revision(s) without amending this Agreement. As part of any review, all parties must maintain the concept that IRWD's water is considered to be last into GWRS and first flows to the ocean Outfall system when flows are spilling to the ocean Outfall system.

Outfall costs include, but are not limited to, actual costs of pumping, dechlorination, and operation and maintenance costs. IRWD has the right to examine all costs and calculations used by OCSD in determining IRWD's total cost.

8.2 Cost Formula for Outfall flows via the Outfall Connection at Plant 2. The formula to be used to compute IRWD's annual cost for flows delivered through the Outfall Connection at Plant 2 for a given fiscal year period is as follows:

$$Y = (F / D) * E$$

Y = Annual Cost to IRWD for Operation of the Ocean Outfall in dollars

F = Annual IRWD Flow through the Outfall Connection Meter in million gallons (MG)

D = Annual OCSD Effluent flow To Ocean Outfall System in MG

E = Annual OCSD Costs to Operate and Maintain the Ocean Outfall System in dollars

Outfall costs include, but are not limited to, actual costs of pumping, dechlorination, and operation and maintenance costs. Initially, these calculations will be done using the totalized annual flows from IRWD and OCSD. The Parties' designated staff representatives may revise formulas in Sections 8.1 and this 8.2 pursuant to Section 13 if and when they determine that operating circumstances necessitate such revision(s), and such revisions may be effected

without amending this Agreement. In such event, each revised formula shall be set forth in an addendum hereto.

Section 9. Determination of Flow Delivered. IRWD's payment to OCSD pursuant to Section 8 for the costs of pumping, operation and maintenance, and dechlorination shall be based on the quantity of Recycled Water discharged by IRWD and metered into the Outfall Connection and the quantity deemed to have been delivered through the GWRS Connection into the Outfall.

Section 10. Source Control.

10.1 In accordance with both: (a) the 2010 OCWD-OCSD GWRS Agreement and (b) the GWRS permit, OCSD shall maintain a comprehensive industrial wastewater pretreatment and pollutant source control program for controlling the discharge of wastes from point sources including in those areas serviced by IRWD. OCSD's current source control program addressing these requirements includes: (a) monitoring and testing of federally regulated categorical and locally regulated non-categorical industrial discharges, (b) a non-point source program for discharges with the potential to adversely affect GWRS performance and water quality, (c) the planning and development of non-industrial source controls for contaminants, and (d) the regulatory authority to prohibit the discharge of pollutants to the sewer causing OCSD effluent to be unsuitable for reclamation, as contained within OCSD Ordinance No. OCSD-39. For the Recycled Water discharged by IRWD that may supply GWRS that includes any specific contaminant specified by CDPH, both now and in the future, as harmful or potentially harmful to human health and drinking water supplies, and/or affects GWRS performance and water quality, OCSD shall develop and implement a pollution source control strategy for that constituent.

10.2 In the event that any contaminants, either known as of the date of this Agreement or discovered after that date, are found in IRWD Recycled Water which require removal in order for the GWRS to meet current or future GWRS permit requirements, RWQCB, CDPH, and/or any other regulatory agency standards, then IRWD, OCWD, and OCSD will meet and confer in good faith regarding: (a) the appropriate type of source control and/or water treatment needed to address the contaminants; (b) the appropriate sharing of cost for the construction and operation of any necessary treatment facilities; and/or (c) the development and implementation of additional source control strategies. IRWD shall supply trunkline sampling and /or analytical support for all sewer investigations aimed at determining the source or sources of any such contaminant discovered in IRWD's Recycled Water. OCSD's liability for IRWD's Recycled Water shall extend only to the development and implementation of the additional source control strategies; and shall not include the costs of any construction and/or operation of needed treatment facilities. In the event that IRWD Recycled Water is found to contain contaminants in a concentration that affects OCWD's ability to reclaim the GWRS Specification Influent and/or OCSD's ability to meet its NPDES discharge limits, and OCSD's source control strategies prove unable to mitigate the concentration of said constituent, then OCSD and OCWD reserve the right to reject and refuse to accept the IRWD Recycled Water to GWRS. To assist in the identification of contaminant sources or other factors that may affect GWRS performance, IRWD shall provide information concerning all chemicals (e.g., polymers and coagulants) used in the IRWD wastewater and/or

solids treatment processes (e.g., manufacturer, type, chemical composition, etc.) if requested by OCWD or OCSD.

10.3 IRWD shall indemnify, defend and hold harmless OCWD and OCSD from any and all liability for any damage to GWRS for noncompliance of terms, conditions and requirements contained in Section 10 – Source Control of this Agreement and the successor provision(s) of any amendments to this Agreement.

Section 11. Discharges to San Diego Creek. It is agreed that notwithstanding the expiration of the 1996 Intertie Agreement on the Prior Expiration Date, nothing in this Agreement is intended to modify or discontinue the long term “no-discharge” scenario, the principles of which are described in Section 6 of the 1996 Intertie Agreement (see Appendix 1 for said agreement), and the parties agree that such long term “no-discharge” scenario will remain in effect during the term in which this Agreement remains in effect.

Section 12. Reporting. IRWD shall provide OCWD and OCSD with a monthly report for each calendar month during an operation period for the Intertie, by the thirtieth (30th) day of the following month. Such monthly reports shall include the following information:

12.1 Water Quality Data. Final effluent water quality data from MWRP, including, at minimum, the daily results for coliform, electrical conductivity (maximum, minimum and average for each day) and chlorine residual (maximum, minimum and average for each day), and monthly sampling results for total dissolved solids, pH, carbonate, bicarbonate, calcium, magnesium, boron, chloride, sodium, calculated sodium adsorption ratio (SAR) and adjusted SAR. Results for other constituents that are routinely measured in the final effluent shall also be included. The report shall include the dates of sample collection and units used for reporting. Upon written notification by OCWD or OCSD, IRWD shall test for additional constituents based on operational and regulatory needs of OCWD or OCSD.

12.2 Meter Readings. IRWD will provide daily readings, in both acre feet and million gallons, of the quantity of water delivered through the Intertie meter on University Drive and the quantity of excess flow delivered through the Outfall Connection meter. OCWD will provide daily readings of the quantity of water delivered to the GWRS Connection (IT Meter) for treatment by OCWD and total water delivered to the MFF meter. OCSD will provide daily readings of the quantity of influent flow to Plant No. 1 and total effluent flow to the Outfall. The Parties’ designated staff representatives may revise the designated meters to be read and meter reading responsibilities pursuant to Section 13 as they determine that operating circumstances necessitate; and such revision(s) may be made by said representatives without amending this Agreement. In such event, the revised meter reading requirements shall be set forth in an addendum hereto.

Section 13. Staff Representatives. Each Party shall appoint one staff representative and one alternate staff representative to work with the staff representatives and alternate representatives of the other Parties to facilitate communication between the parties and aid in the administration of this Agreement. The parties shall give full consideration to all joint recommendations of the staff representatives. The staff representatives shall meet periodically, but at least once a year, to perform such tasks as may be assigned to them by the

parties from time to time, including, but not limited to, the following: provide and receive input on scheduling of Recycled Water discharges to the Intertie, GAP, GWRS and the Outfall; address operational concerns in the use and maintenance of the Intertie and GAP II; and address any other operational matters as deemed necessary.

Section 14. Notices. Any notice or other document and all billings and payments required or permitted to be given by any Party hereto to another Party shall be deemed received upon delivery in person to the recipient or upon deposit in the United States mail in the State of California, with postage prepaid, and addressed to the Party for whom intended at the following address:

To OCSD: Orange County Sanitation District
P.O. Box 8127
Fountain Valley, CA 92728-8127
Attention: Director of Engineering/AGM
Telephone: (714) 593-7300
E-mail: jherberg@ocsd.com

To OCWD: Orange County Water District
18700 Ward Street
P.O. Box 8300
Fountain Valley, CA 92728-8300
Attention: Director of Engineering
Telephone: (714) 378-3200
E-mail: dyoungblood@ocwd.com

To IRWD: Irvine Ranch Water District
15600 Sand Canyon Avenue
P.O. Box 57000
Irvine, CA 92619-7000
Attention: General Manager
Telephone: (949) 453-5590
E-mail: cook@irwd.com

To CNB: City of Newport Beach
3300 Newport Boulevard
P.O. Box 1768
Newport Beach, CA 92658-8915
Attention: Utilities General Manager
Telephone: (949) 644-3011
E-mail: gmurdoch@newportbeachca.gov

Section 15. Effectiveness of Agreement; Term. This Agreement shall become effective on the Effective Date, and the Prior Agreements shall remain in effect through January 15, 2012. The term of this Agreement shall expire on the fifteenth (15th) anniversary of the Effective Date.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first hereinabove written.

ORANGE COUNTY WATER DISTRICT

By: Claudia C. Alwang
President

By: [Signature]
General Manager

APPROVED AS TO FORM:
Rutan & Tucker LLP

By: [Signature]
Joel Kuperberg
General Counsel, Orange County
Water District

IRVINE RANCH WATER DISTRICT

By: [Signature]
President, Board of Directors

By: [Signature]
Secretary

APPROVED AS TO FORM:
BOWIE, ARNESON,
WILES & GIANNONE

By: [Signature]

ORANGE COUNTY SANITATION DISTRICT

By *Larry Randall*
Chair, Board of Directors

By *Robert P. Ghirelli*
for Clerk of the Board

APPROVED AS TO FORM:
BRADLEY R. HOGIN,
GENERAL COUNSEL

By *Bradley R. Hogin*

CITY OF NEWPORT BEACH

APPROVED AS TO FORM:

By *[Signature]*
City Attorney

By *[Signature]*
City Manager

Attest: *[Signature]*
City Clerk



EXHIBIT "A-1"

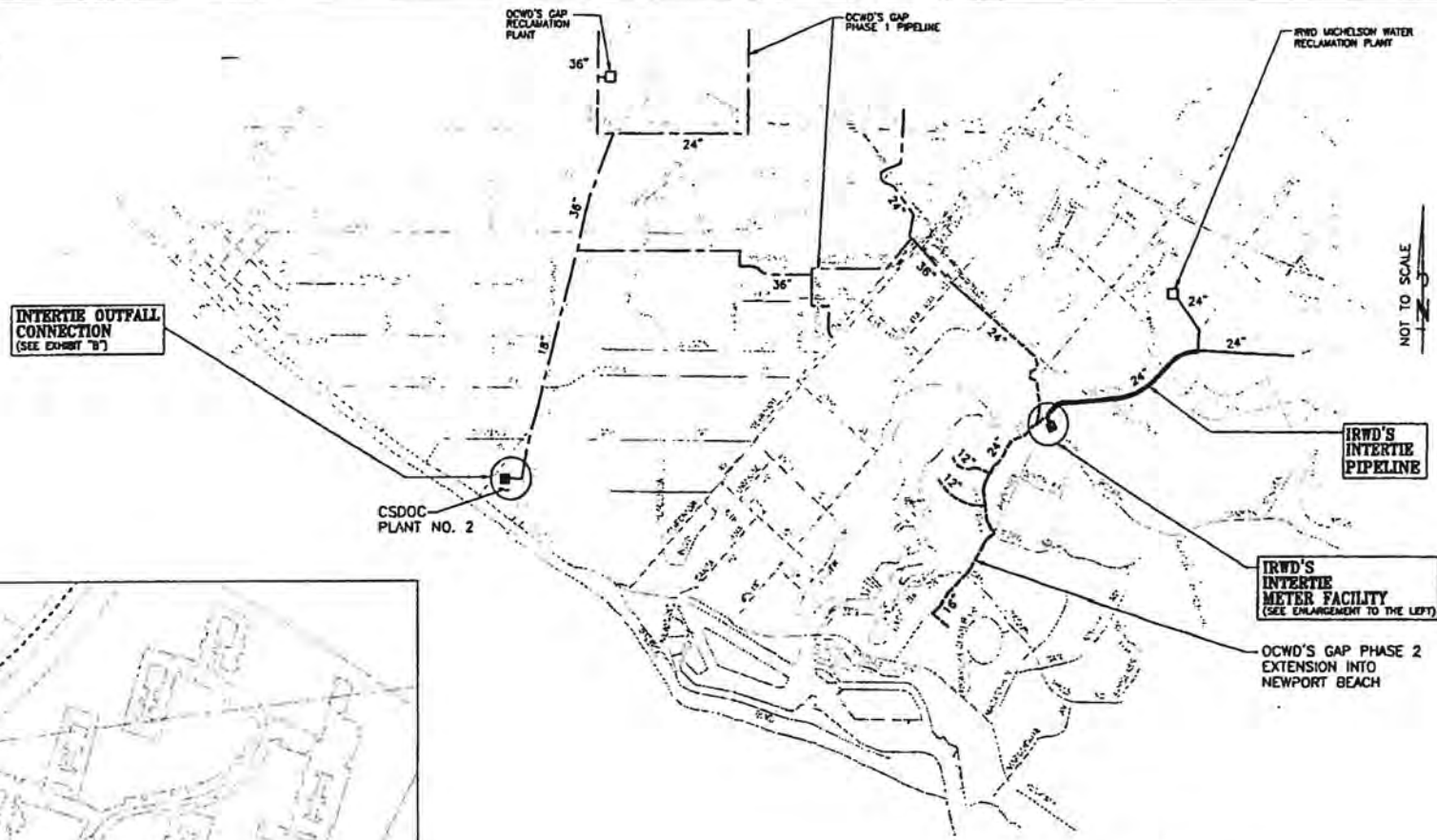
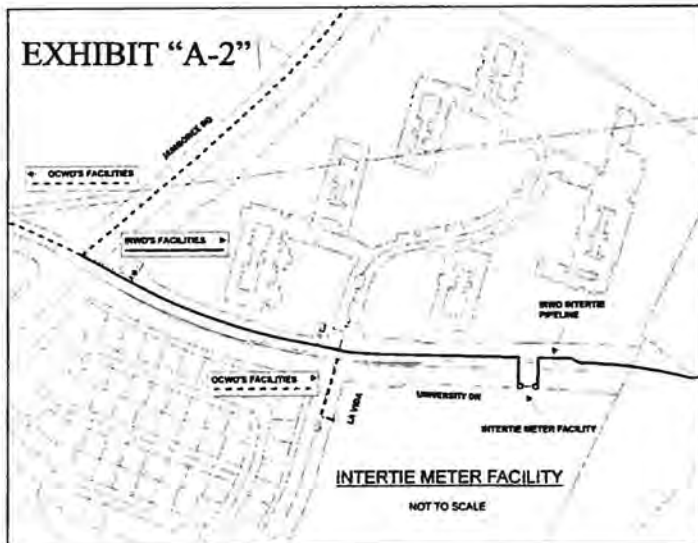


EXHIBIT "A-2"

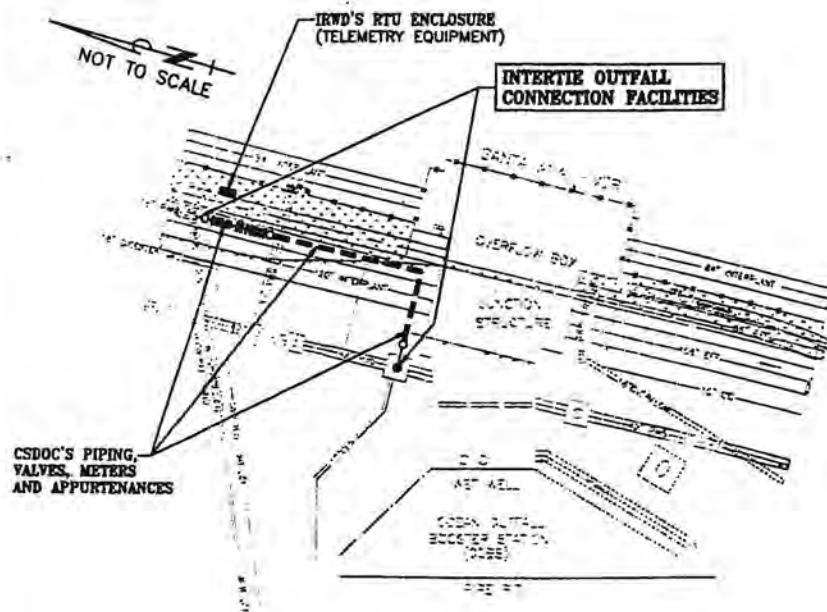


LEGEND

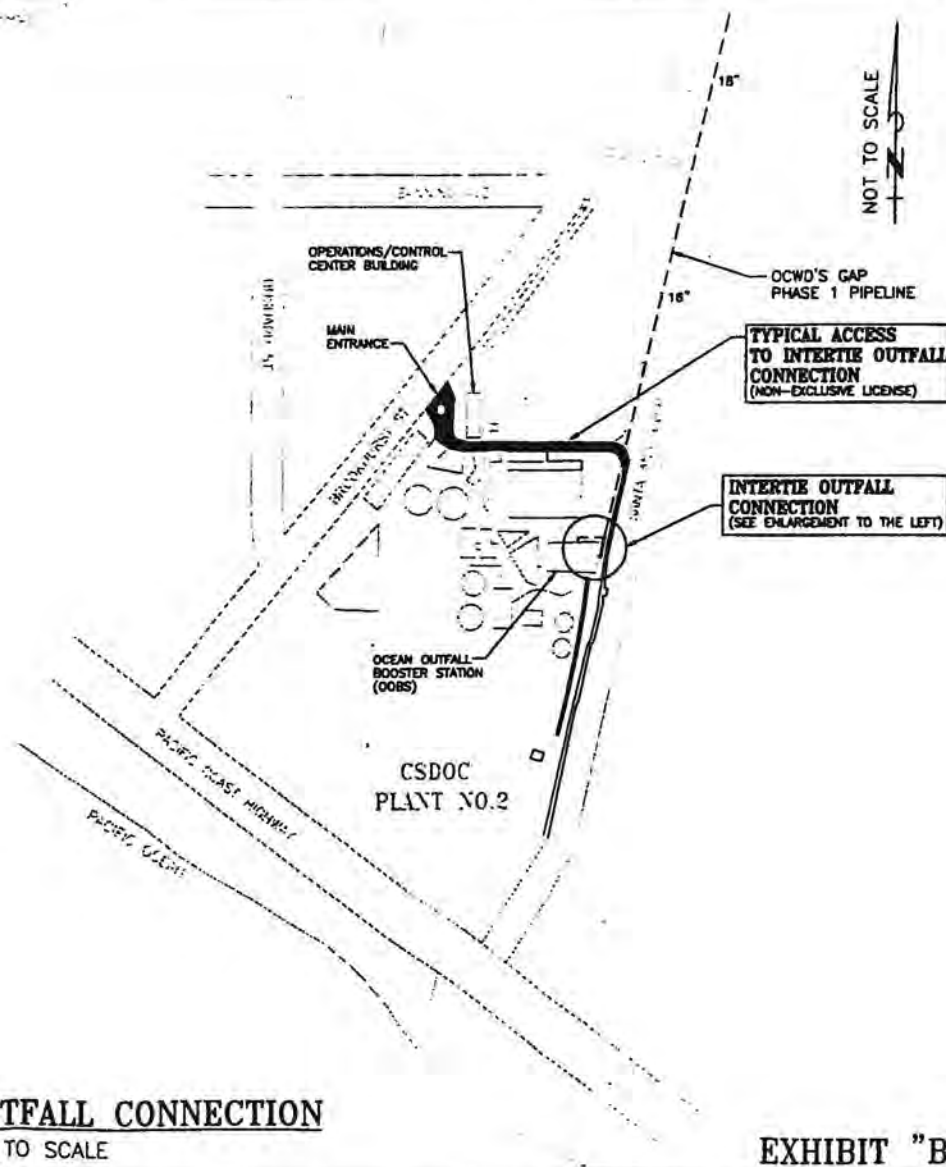
- IRWD INTERTIE PIPELINE
- IRWD R.W. PIPELINE
- OCWD GAP PHASE 2 PIPELINE
- - - - - OCWD GAP PHASE 1 PIPELINE

GAP INTERTIE PROJECT

NOT TO SCALE



INTERTIE OUTFALL CONNECTION
NOT TO SCALE

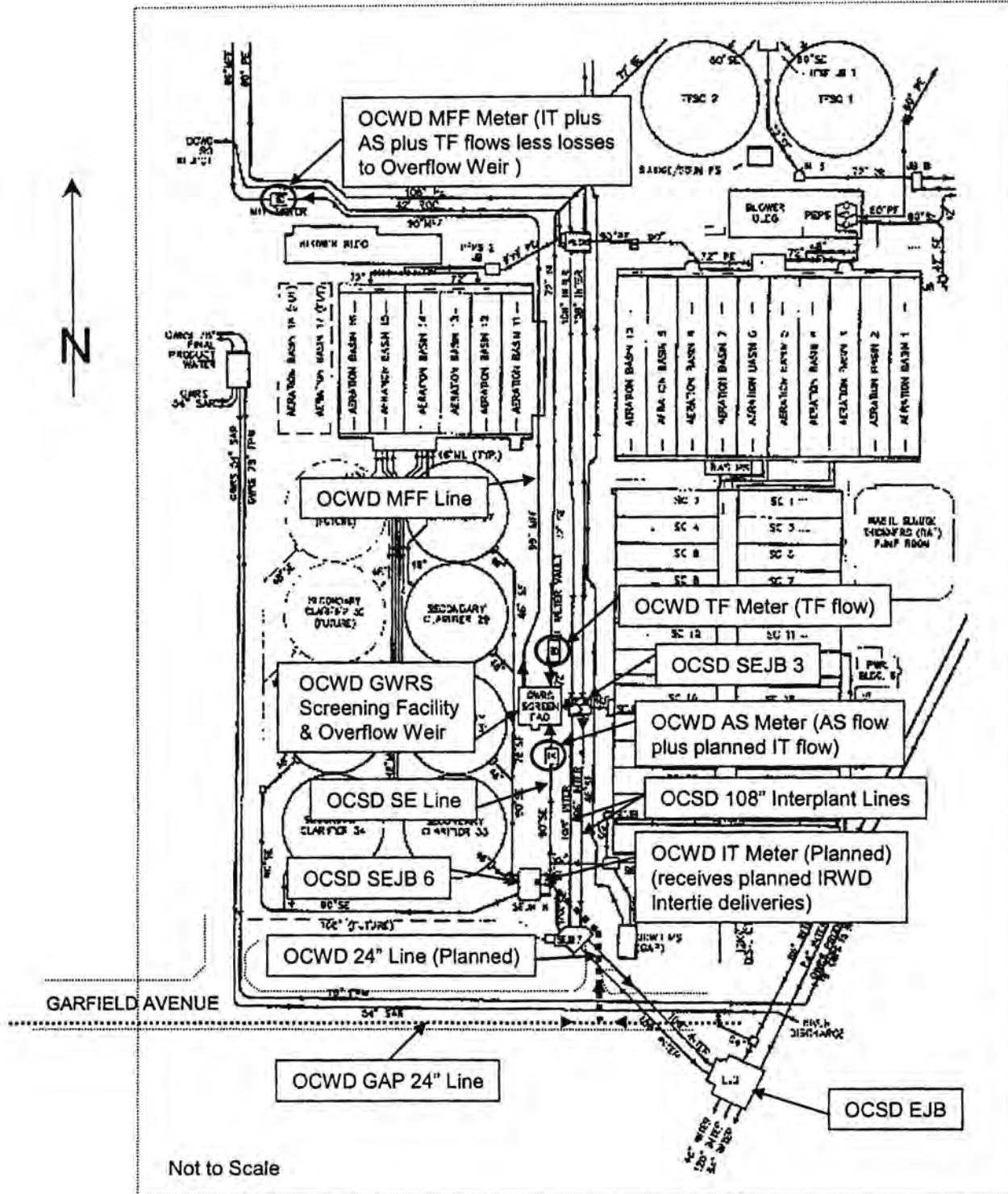


INTERTIE OUTFALL CONNECTION
NOT TO SCALE

EXHIBIT "B"

EXHIBIT "C"

PLANNED CONNECTION FOR IRWD INTERTIE DELIVERIES TO GWRS AT OCSD PLANT NO. 1



APPENDIX 1

AGREEMENT

This Agreement is entered into this 17th day of July, 1996, by and between the Orange County Water District (OCWD), the Irvine Ranch Water District (IRWD), and the City of Newport Beach (City).

Recitals:

A. The Parties support projects which beneficially use Reclaimed Water (for purposes of this Agreement, the term "Reclaimed Water" generally means water which fully satisfies Title 22 standards), without adversely impacting the environment and which are cost effective or have positive cost benefit ratios;

B. IRWD is the proponent of the Wetlands Water Supply Project (WWSP) which consists of a two (2) year Demonstration Phase (Demonstration Phase) and a subsequent Permanent Phase (Permanent Phase). The Demonstration Phase and the Permanent Phase each contemplate a winter (October 1 through March 31) discharge of a maximum of five (5) million gallons per day (mgd) of Reclaimed Water into waterfowl ponds (Duck Ponds) for a seven (7) day detention period with subsequent discharge into San Diego Creek and a summertime San Diego Creek "low flow" diversion component;

C. IRWD's implementation of WWSP will achieve the following objectives (collectively referred to as Project Objectives):

1. Provide a source of water to irrigate the Duck Ponds and marsh mitigation areas (MMA's) consistent with the WWSP Environmental Impact Report (EIR) and

IRWD's obligations pursuant to the Grant Deed from The Irvine Company (TIC) to IRWD dated December 28th, 1995.

2. Use Reclaimed Water for beneficial purposes.
3. Reduce the amount of nutrients flowing into Newport Bay during the summer.
4. Modify the amount of contributions to the County Sanitation District of Orange County (CSDOC) to more closely correspond with actual IRWD usage of CSDOC facilities.
5. Provide data relative to water quality and existing flora and fauna in Newport Bay that would be useful to the Santa Ana Regional Water Quality Control Board (SARWQCB) in setting standards pursuant to the Clean Water Act to protect and enhance bay water quality.

D. On July 1, 1996, SARWQCB approved Orders 96-2 (the Permit) and 96-3 which authorized IRWD to implement WWSP subject to certain conditions and restrictions,

E. City has been actively seeking measures which would allow the scientific community to better evaluate the potential impacts of WWSP and alleviate concerns expressed by certain members of the public and the scientific community about possible impacts of WWSP on Newport Bay, without interfering with IRWD's ability to achieve all or substantially all of the Project Objectives;

F. The Parties have identified a series of actions, projects, and permits (Basic Integrated Reuse Project) pursuant to which some of the Reclaimed Water otherwise used in conjunction with WWSP would be transmitted to OCWD for beneficial use or lawful disposal.

G. IRWD and City have identified additional actions or projects which, if implemented, could achieve Project Objectives on an interim basis, and possibly on a permanent basis, with discharge reductions or no discharge of Reclaimed Water into San Diego Creek or Newport Bay

H. The Parties desire to establish the terms and conditions pursuant to which they are willing to implement those components of the Basic Integrated Reuse Project, modify the amount of Reclaimed Water to be discharged pursuant to the Permit, establish the criteria that must be satisfied to preclude discharge of Reclaimed Water pursuant to the Permit for the period from October 1, 1996 to March 31, 1997 and to identify the additional issues that must be resolved to achieve, or possibly exceed, Project Objectives without Reclaimed Water discharges.

1. BASIC INTEGRATED REUSE PROJECT:

The Basic Integrated Reuse Project consists of the components specified in this Section. The Parties shall perform in accordance with their respective obligations provided all conditions precedent have been satisfied.

A. **GREEN ACRES PHASE II (GAP II).** GAP II is a water pipeline with a nominal capacity of 7.8 mgd to be constructed from the current terminus of OCWD's "Phase I" facility to the point of intersection with the Intertie as determined in the ASL Study and then extended to Newport Beach to serve End-users. OCWD shall pay the entire cost of GAP II. OCWD shall commence the design of GAP II when City has contributed \$500,000 toward End-user retrofits which will increase the cost-benefit ratio of GAP II to 1.5 or more, and shall commence construction of GAP II when City has complied with its obligation to obtain End-user Agreements;

B. **INTERTIE.** The Intertie is a water pipeline with a nominal capacity of 7.8 mgd to be constructed between the Michelson Water Reclamation Plant (MWRP) and GAP II. IRWD shall pay the entire cost of designing and constructing the Intertie. IRWD shall commence the design of the Intertie when City has contributed \$500,000 to OCWD for GAP II and shall authorize OCWD to commence construction of the Intertie when City has complied with its obligation to obtain End-user Agreements.

C. **OCWD FLOW ACCEPTANCE COMMITMENTS.** OCWD shall accept at least 4.6 mgd, and up to 7.8 mgd, of Reclaimed Water from IRWD (the additional 3.2 mgd is sometimes referred to as Excess Flows) during the period from October 1 through March 31. These commitments are subject to the following conditions:

- (1) Completion of GAP II and the Intertie;
- (2) The execution of a written agreement between CSDOC and OCWD pursuant to which CSDOC commits to accept from OCWD at least 4.2 mgd of Reclaimed

Water during the period from October 1 through March 31 for a period of fifteen (15) years, and to pay OCWD for the Reclaimed Water at a rate per acre foot equal to OCWD's cost to treat secondary water to a tertiary standard;

(3) IRWD's commitment to supply 4.6 mgd of Reclaimed Water on a continuous basis for the fifteen (15) year term of this Agreement;

(4) IRWD's commitment to supply a total of 7.8 mgd of Reclaimed Water (the 4.6 mgd described in 1.C(3) and an additional 3.2 mgd) on a basis to permit peaking by OCWD up to 7.8 mgd for up to fifteen percent (15%) of any twenty-four (24) hour period for the fifteen (15) year term of this Agreement;

(5) IRWD's commitment to sell at least 4.6 mgd of Reclaimed Water for no more than fifty percent (50%) of the price CSDOC pays OCWD for the Reclaimed Water and to receive no consideration for any Reclaimed Water in excess of 4.6 mgd except to the extent that OCWD receives consideration for the sale of some or all of the Excess Flows to any third party and, as appropriate, the framework for determining that consideration;

(6) IRWD's commitment to resolve, in good faith, issues related to water subsidies for Reclaimed Water, and Reclaimed Water transmission rates during peak period of demand; and

D. IRWD's FLOW TRANSMISSION COMMITMENTS. IRWD shall transmit at least 4.6 mgd of Reclaimed Water to OCWD during the period from October 1 through March 31 subject to the following:

- (1) Completion of GAP II and the Intertie;
- (2) Satisfaction of the conditions precedent to OCWD's Flow Acceptance Commitments;

- (3) OCWD's payment for at least 4.6 mgd of Reclaimed Water at a rate not to exceed fifty percent (50%) of the price CSDOC pays OCWD for the Reclaimed Water;

E. CITY COMMITMENTS. City commits to do the following;

- (1) Obtain fully executed End-user Agreements with Major Purchasers of Reclaimed Water within the corporate limits of City (Big Canyon Country Club and Newport Beach Country Club are among the End-users considered to be Major Purchasers and agreements with them are essential). City shall use its best efforts to obtain these agreements on or before October 1, 1996. OCWD and City shall amend the Green Acres Agreement to allow for the sale of Reclaimed Water above the current price ceiling.

- (2) City shall contribute \$500,000 towards End-user retrofits which will increase the cost benefit ratio of GAP II to 1.5 or more. IRWD will loan City the \$500,000 at a rate of interest equal to 6.4% , with the loan to be repaid over fifteen (15) years in annual payments beginning twelve (12) months after the receipt of the loan. The loan proceeds will be available within thirty (30) days after a written request of IRWD submitted by City at any time subsequent to the effective date of this Agreement.

2. CONSTRUCTION OF BASIC INTEGRATED REUSE PROJECT:

A. The Parties agree that OCWD will be designated as the lead agency for the construction of GAP II and the Intertie. The Parties agree to use their best efforts to ensure that GAP II and the Intertie are constructed and installed on or before October 1, 1997. Toward that end, the Parties agree to do the following:

(1) OCWD agrees to phase the construction of GAP II such that the initial portion of the facility to be constructed is the pipeline from the current terminus of Phase I to the point of connection with the Intertie (generally at the intersection of University and Jamboree);

(2) OCWD agrees to consolidate the construction of the Intertie and GAP II under the same contract, with the same construction management;

(3) The Parties agree to use their best efforts to expedite permit issuance, permit review, or plan check, including the assignment of personnel capable and willing to expedite, review or approve necessary plans or permits.

B. City, OCWD, and IRWD each agree to pay up to one third of the cost, not to exceed \$30,000 each, of retaining engineering consultant who shall act as a Project Manager to implement and coordinate the timely completion of all components of the Basic Integrated Reuse Project.

3. FLOW CONSIDERATIONS

A. IRWD and OCWD agree to meet and confer to develop mutually acceptable adjustments to the flow commitments specified in this Agreement in the event of any change in winter Reclaimed Water demand, provided, however, IRWD will not initiate discharge of any Reclaimed Water into San Diego Creek as a result of any flow commitment modification implemented pursuant to this subsection.

B. In the event IRWD's ability to deliver 4.6 mgd of Reclaimed Water is interrupted or reduced due to operational conditions or other circumstances, and it is necessary for OCWD to supply Reclaimed Water from another source, IRWD will pay OCWD at one-half the CSDOC rate for the Reclaimed Water supplied by OCWD during such period.

4. WWSP DISCHARGE REDUCTIONS

A. In consideration of City's commitments pursuant to Subsection 4.B (1)-(4) and Section 5, IRWD agrees not to discharge more than 3.2 mgd of Reclaimed Water pursuant to the Permit.

B. In consideration of IRWD's commitment to reduce WWSP discharges, City agrees;

- (1) Not to file an appeal of the Permit;
- (2) Not to file or support any legal challenge to the Permit or the WWSP

EIR;

(3) To request modification of AB 3344 to facilitate implementation of some or all of the provisions of this Agreement.

(4) To support amendment of IRWD's consolidated NPDES permit to authorize use of reclaimed water in the MMA's for irrigation of vegetation in a manner that does not result in any discharge of Reclaimed Water to San Diego Creek.

5. INTERIM WWSP DISCHARGE RESTRICTIONS

IRWD agrees not to discharge Reclaimed Water pursuant to the Permit during the period from October 1, 1996 through and including March 31, 1997 subject to satisfaction of the following:

A. CSDOC agrees, on or before October 1, 1996, to calculate IRWD flows to CSDOC for the purpose of determining Capital Outlay Revolving Fund and Annual Equity Adjustment as if IRWD was exercising the Permit pursuant to provisions of this Agreement (discharging 3.2 mgd of reclaimed water into San Diego Creek);

B. SARWQCB acknowledges that the additional modeling and monitoring as determined pursuant to Subsection C will, if used with the data derived from a simulated two month operation of the WWSP (actual operation except for discharge) satisfy the first year of the Demonstration Phase;

C. City and IRWD shall, on or before September 1, 1996 agree on any modifications to the internal monitoring program, the external monitoring program, and the model used to analyze the potential impacts of the discharge necessary or appropriate to

ensure the most accurate scientific evaluation of the Demonstration Phase of WWSP. City and IRWD shall cooperate with SARWQCB staff in evaluating modifications to the monitoring program required by the Permit to ensure scientific accuracy of the Demonstration Phase without increasing the costs of monitoring above those required to evaluate WWSP in accordance with the Permit. City shall fund the initial costs associated with the additional or modified monitoring or modeling up to a maximum of \$15,000. IRWD shall fund additional costs in excess of the City's initial contribution up to a maximum of \$30,000 (\$15,000 from City and \$15,000 from IRWD). City and IRWD shall attempt to reach agreement regarding any additional costs in excess of \$30,000 .

D. City has obtained fully executed End-user Agreements with the Major Purchasers;

E. In the event the preconditions to "no discharge" (A,B,C and D of this Section) have not been satisfied on or before October 1, 1996, IRWD shall be entitled to discharge up to 3.2 mgd of Reclaimed Water only if it has received all necessary permits, approvals and authorizations, provided, however, IRWD shall cease discharge of Reclaimed Water pursuant to the Permit if all preconditions to "no discharge" have been satisfied on or before December 1, 1996, the cessation of discharges will not prejudice IRWD and the City pays for any costs associated with the cessation of discharges.

F. In the event the preconditions to "no discharge" are fully satisfied on or before October 1, 1996, and subsequent to the simulated operation of WWSP as well as at least two months of the summertime low flow diversion, City and IRWD shall meet and

confer relative to preparation of, and then issue, a joint report on the data received during monitoring and, to the extent that science will permit, any conclusions that can reasonably be drawn from the data. This report, which shall be presented to the Newport Beach City Council, the IRWD Board of Directors and the SARWQCB shall address, at a minimum, the following:

- (1) Nutrient and other constituent reductions achieved in the Duck Ponds during the winter and summer;
- (2) The extent to which WWSP discharges would impact nutrient and other constituent levels in Newport Bay during the winter and summer;
- (3) The extent to which the discharges would function to stimulate or arrest the growth of algae and other plant-life;
- (4) The location and extent of salinity dilution as well as the likely impact, if any, on flora and fauna in and around Newport Bay; and
- (5) The public health risks, if any, posed by the discharges.

G. In the event there is no discharge of Reclaimed Water pursuant to the Permit during the period from October 1, 1996 through March 31, 1997, then the initial discharge pursuant to the Permit shall commence on October 1, 1997 at the rate of 3.2 mgd subject to further reduction or elimination pursuant to Section 6.

6. LONG TERM "NO DISCHARGE" SCENARIO

A. City and IRWD agree to use their best efforts to reach agreement on ways to fully achieve Project Objectives without the discharge of Reclaimed Water into San Diego Creek or Newport Bay. City and IRWD acknowledge that development of a long term "no-discharge" scenario requires the resolution of the issues identified in this section.

B. OCWD has expressed a willingness to accept 7.8 mgd of Reclaimed Water from IRWD on a continuous basis during the period from October 1 through March 31 if it has the ability to beneficially use, or lawfully dispose of, excess flows. The Parties have been advised that disposal of excess flows directly into the outfall facility maintained by CSDOC is feasible and is estimated to cost approximately \$100,000. Accordingly, by January, 1997, there must be an agreement between the City and IRWD regarding the preparation of, and payment for, all necessary environmental documents, the processing and approval of all necessary permits, the design and construction of any physical facility necessary to discharge, and payment of all costs related to the actual discharge or transmission of, that portion of the excess flows that OCWD is unable to beneficially use.

C. To satisfy Project Objectives and its obligations pursuant to the Grant Deed, IRWD must have a reliable source of water to irrigate the Duck Ponds and the MMA's from October 1 through March 31. Possible sources of irrigation water include San Diego Creek and Reclaimed Water which is retreated and distributed to IRWD's customers. Diversion of flows from San Diego Creek during the winter will involve the

construction of an instream facility which may require environmental documentation and mitigation. The cost of construction is uncertain as is the source of funding. IRWD is uncertain about operational feasibility issues, including the cost to retreat Reclaimed Water used to irrigate the Duck Ponds and MMA's. City and IRWD shall discuss, in good faith, the irrigation alternatives, the responsibility for implementing the preferred alternative and the funding of any costs associated with the preferred alternative.

D. WWSP has the potential to significantly reduce nutrients in Newport Bay during the summer. The external monitoring program and the baseline characterization studies will provide the SARWQCB with information helpful to establishment of standards pursuant to the Clean Water Act and other actions which will improve bay water quality. City and IRWD will attempt, in good faith, to reach agreement on continued summertime creek diversions, monitoring, and other activity important to improvement in bay water quality in the event IRWD is not obligated to do so because it is not discharging pursuant to the Permit.

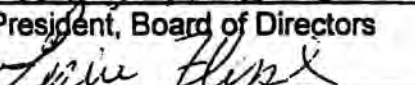
(7) TERM.

The term of this Agreement shall expire at the end of the fifteen year period described in Section 1 (C) (2)

Approved as to Form:

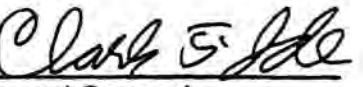
Irvine Ranch Water District

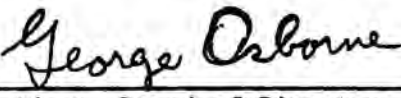
By 
General Counsel

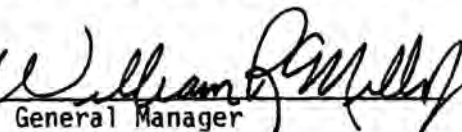
By 
President, Board of Directors
By 
Secretary

Approved as to Form:

Orange County Water District

By 
General Counsel
Orange County Water District

By 
President, Board of Directors

By 
General Manager

Approved as to Form:

City of Newport Beach

By 
City Attorney

By 
City Manager