

PROJECT AND CAPACITY AGREEMENT FOR THE EXPANSION OF THE WESTERN RIVERSIDE COUNTY REGIONAL WASTEWATER AUTHORITY TREATMENT PLANT

THIS AGREEMENT is made and entered into this 8th day of March, 2012, (the "effective date") by and between the HOME GARDENS SANITARY DISTRICT, a sanitary district (hereinafter "Home Gardens"), the CITY OF CORONA, a municipal corporation (hereinafter "Corona"), the CITY OF NORCO, a municipal corporation (hereinafter "Norco"), JURUPA COMMUNITY SERVICES DISTRICT, a community services district (hereinafter "Jurupa"), SANTA ANA WATERSHED PROJECT AUTHORITY, a joint powers public agency (hereinafter "SAWPA"), and WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY, a municipal water district (hereinafter "Western") (sometimes hereinafter collectively referred to as the "Parties"), and is effective only upon adoption by all of the PARTIES.

RECITALS

A. WHEREAS, Western Riverside County Regional Wastewater Authority (hereinafter "the Authority") was formed as a Joint Powers Authority in 1992 to construct and operate a regional wastewater conveyance, treatment and disposal system to serve its member agencies: Home Gardens, Norco, Jurupa, SAWPA and Western.

B. WHEREAS, the Authority's existing treatment plant is currently being upgraded to ensure it will have the capability of treating and disposing 8 million gallons per day ("mgd"), but will need to be expanded by 4 mgd to meet the near term needs of some member agencies.

C. WHEREAS, this Project and Capacity Agreement is intended to address the construction of such a 4 mgd treatment plant expansion from its current upgraded capacity of 8 mgd to the proposed capacity of 12 mgd (the "Project") and to memorialize capacity allocation upon completion of the Project, with "Capacity" being defined as "average daily flow."

D. WHEREAS, the Parties needing the Project include Jurupa, Norco, and Corona, and are known collectively as the "Expanders." Jurupa and Norco are "Member Expanders."

E. WHEREAS, the Authority's member agencies with sufficient capacity rights that have no need for further expansion are Western and Home Gardens and are known as the "Non-Expanders."

F. WHEREAS, SAWPA has no need for the Authority's wastewater disposal services and, therefore, is neither an Expander nor Non-Expander. Rather, SAWPA was instrumental in financing the construction of the original conveyance, treatment, and disposal facilities for the Authority to meet SAWPA's obligation to provide alternative facilities for disposal of wastewater that was removed from the Inland Empire Brine Line (formerly SARI) system. SAWPA's primary role in the Authority JPA is to make debt service payments on the loan in its name that was used to fund the construction of such original facilities.

G. WHEREAS, Corona is not a member agency of the Authority but has a need to become a member and is in need of capacity rights in the Project.

H. WHEREAS, Non-Expanders and Expanders have provided cash advances to the Project to finance expenses for the EIR, engineering studies, planning and cost allocation work associated with the expansion of the treatment plant, the details of which are provided in Exhibit "A" attached hereto and made a part of this Agreement.

I. WHEREAS, future elements of work include final design for the selected alternative, construction contract documents, bidding process, engineering support during construction, construction management services, and construction of the Project.

J. WHEREAS, Member Expanders and Non-Expanders hold certain capacity rights in the original facilities as determined by previous agreements. Such capacity is known as Treatment Disposal capacity and Ultimate Capacity, and South Regional Interceptor and Pump Station capacity all herein defined as Existing Capacity, Ultimate Capacity and Conveyance Capacity respectively.

K. WHEREAS, the disposition, costs, and means of allocating Conveyance Capacity will be addressed in a separate agreement.

L. WHEREAS, there is a need to begin final design now on the Project because the estimated average daily flow to the treatment plant will increase during the time needed for final design, bidding, award of construction contract, and actual construction and, therefore, time is of the essence and funding is needed now to initiate final design.

M. WHEREAS, studies have been prepared by engineering firms including the initial study by Carollo Engineering and subsequent study by the engineering team of Webb/Aqua. Unused Existing Capacity was identified in various facilities as excess to that needed in the operation of the existing 8 mgd treatment plant that would benefit the expansion.

N. WHEREAS, by previous agreement, there is 11.63 mgd Ultimate Capacity at the treatment plant, and all unused Ultimate Capacity excess to the 8 mgd operation will be utilized by the Project, with total Ultimate Capacity defined as 12 mgd.

O. WHEREAS, examples of facilities with unused Existing Capacity include solids handling, the administration building, and facilities with unused Ultimate Capacity include land and outfall.

P. WHEREAS, after developing all inclusive "go forward" costs estimated at approximately \$42 million for the Project (including final design, contract documents, bidding, engineering support during construction, construction management services, inspection, construction costs and contingency), Webb/Aqua developed a preliminary cost allocation plan for the Project based on findings that expansion improvements will improve efficiency and lower annual operation and maintenance costs.

Q. WHEREAS, the Authority's member agencies appointed a Technical Advisory Committee (TAC) to review the work of the engineers.

R. WHEREAS, the conclusion of the TAC was that Expanders and Non-Expanders should contribute to the Project because all will reap Operational Benefits through lower annual Operational Costs. One alternative was the contribution of capital by the Non-Expanders. A second alternative was for the Non-Expanders to make an In-Kind contribution of unused Existing Capacity and Ultimate Capacity, excess to the needs of the Non-Expanders.

S. WHEREAS, the purpose of this Project Agreement is to provide:

- a. An agreement and budget for the Project pursuant to Section 7 of the Authority's Joint Exercise of Powers Agreement;
- b. A cost allocation plan for the Project;
- c. The terms and conditions for the admission of Corona as a member of the Authority;
- d. Indemnification for financial liability and responsibility associated with the Project; and
- e. Reallocation of Existing and Ultimate Capacity upon completion of the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants contained herein, the Parties agree as follows:

1. The estimated budget for the Project is shown on Exhibit B attached hereto and made a part of this Agreement. Total cost of the Project has been reduced by utilizing unused Existing Capacity and Ultimate Capacity associated with the existing 8 mgd treatment plant. Prior to completion of the Project, total Existing Capacity was 8 mgd and total Ultimate Capacity was 11.63 mgd. However, such Ultimate Capacity is hereby redefined as 12 mgd. Distribution of Existing and Ultimate Capacity before and after the Project is shown in Exhibit C attached hereto and made a part of this Agreement. A diagram depicting contributions by Expanders and Non-Expanders is shown in Exhibit D attached hereto and made a part of this Agreement.
2. Corona shall contribute capital to become a member of the Authority ("Corona's Buy-In"). Corona's Buy-In shall be \$4,000,000.00 and shall constitute Corona's payment-in-full to become a member of the Authority. Corona's Buy-In shall be non-refundable if and when Corona becomes a member of the Authority.
3. Corona's Buy-In cost of \$4,000,000 is based on the depreciated value of the existing treatment plant and Corona's resultant projected share of the proposed expanded 12 mgd treatment plant, and could be calculated by a number of methodologies.

Based on WRCRWA records, the value of the current 8 mgd plant is approximately \$40,000,000. The Congressional Budget Office Depreciation Range is 2.7% to 3.3% for 30 year to 37 year life facility. The Modified Accelerated Cost Recovery System is the current tax depreciation system in the United States. It does not list a wastewater treatment plant as a complete asset but instead relies on a distribution of depreciation component by component. Therefore, the Congressional Budget Office Depreciation formula is used herein.

If the plant is depreciated at:

2.7% x 12 yrs of Operation = 32% or 68% Remaining

3.3% x 12 yrs of Operation = 40% or 60% Remaining

60% x \$40 million = \$24,000,000

68% x \$40 million = \$27,000,000

Corona's share of the expanded plant after it becomes a member of WRCRWA is 2 mgd/12 mgd = 1/6 or approximately 16.67%. Therefore, using CBO Depreciation rates, Corona's Buy-In cost could vary between \$4,000,000 and \$4,500,000 (@ 2.7% \$27M/6 = \$4.5M; @ 3.3% \$24M/6 = \$4M).

The Parties agree and by this Agreement establish Corona's Buy-In cost at \$4,000,000

4. Corona shall deposit its Buy-In into the Authority's work order account established for the Project (the "Project Work Order Fund") in the following installments.

<u>Installment Number</u>	<u>Date the Installment is due and payable</u>	<u>Installment amount</u>
First:	no later than 60 days after the Authority approves the JPA Addendum admitting Corona to the Authority	\$ 700,000.00
Second:	no later than 180 days after the Authority approves the JPA Addendum admitting Corona to the Authority	\$1,300,000.00
Third:	no later than 30 days after the Authority opens bids for construction of The Project	\$2,000,000.00
Corona's Total Buy-In		\$4,000,000.00

5. A portion of Corona's Buy-In shall reduce the actual final cost of the Project for the Expanders and allow Corona to share Existing and Ultimate Capacity. The distribution and reallocation of Existing and Ultimate Capacity after the Project has been completed is shown on the attached Exhibit C under the heading "After the Project." Such distribution and reallocation of Existing and Ultimate Capacity hereby supersedes all prior agreements and resolutions allocating Existing and Ultimate Capacity to the Authority's member agencies.
6. Member Expanders shall provide an initial cash deposit to commence final design no later than 30 days after the Authority's award of the final design contract. The initial deposit shall be accounted for as a part of the Member Expanders total cost for the Project.

<u>Member Expander</u>	<u>Initial Deposit for Final Design</u>
Jurupa	\$225,000
Norco	<u>\$ 75,000</u>
Total	\$300,000

7. Expanders shall contribute unused Existing Capacity and Ultimate Capacity to the Project and shall contribute capital to the Project in proportion to the Expanders' share of the 4 mgd expansion. All Expanders shall pay the same per gallon cost, calculated by first reducing the actual total cost of the Project by Corona's Buy-In amount and then dividing the remainder by 4 mgd, as shown in Exhibit E, attached hereto and made a part of this Agreement.
8. Expanders shall deposit an estimated capital contribution of approximately \$10 per gallon of requested capacity reduced by prior deposits for an approximate Go-Forward total of \$38 million for the 4 mgd expansion (which may be adjusted further after receiving construction bids) into the Project Work Order Fund no later than 30 days after the bid opening for construction of The Project as shown in Exhibit E, attached hereto and made a part of this Agreement.
9. Non-Expanders shall provide an In-Kind Contribution of unused Existing Capacity and Ultimate Capacity to the Project in lieu of a capital contribution and in return share in the benefits of lower annual O&M costs upon completion of the Project. The Non-Expanders' contribution of unused capacity together with the Non-Expanders' pass-through of Corona's capital payment for the Project constitutes payment in full by the Non-Expanders for the Project. No other contributions shall be required of the Non-Expanders in the event upgrades are needed in the future to bring the expansion to a full 4 mgd, for a total of 12 mgd.
10. Expenses related to the prior work of planning, environmental and preliminary design, together with the "go forward" work of final design, construction contract document preparation, bidding process, engineering support during construction, construction management and inspection services, and the labor, equipment, and material necessary for construction of the Project shall be funded from the Project Work Order Fund using the cost allocation plan in this Agreement. Expanders and Non-Expanders shall be provided credit and refunds for cash deposits that were provided to finance Dunbar EIR work, including by example (\$66,000.00), Carollo planning work (\$481,000.00) and Webb/Aqua preliminary design work (not to exceed \$500,000.00) as shown more specifically in Exhibits A and F, attached hereto and made a part of this Agreement.
11. The Authority shall make monthly payments from the Project Work Order Fund to contractors and service providers for "go forward" work based on approved invoices.
12. Construction contract administration, engineering services, legal, administration and other "go forward" costs incurred by the Authority and attributable to The Project shall be paid from the Project Work Order Fund.

13. The Authority's Administrator or engineering and/or financial representatives shall review all service provider invoices prior to approving. Final corrected, approved invoices shall be electronically forwarded to the Administrator or his designee for approval and then to the Authority's finance staff for payment.
14. The Construction Management firm selected by the Authority to manage the Project's construction activities shall review invoices from the Construction Contractor together with daily reports from the inspector prior to approving partial pay requests from the Construction Contractor. Final corrected, approved partial pay requests shall be forwarded to the Administrator or his designee for approval and then to the Authority's finance staff for payment.
15. In the event the Project Work Order Funds are being depleted and additional amounts are needed to complete the Project and the additional amounts do not cause the total anticipated expenditures to exceed the budget in Exhibit B, the Authority finance staff shall invoice the Expanders the amount deemed necessary to complete construction of the Project. The invoice shall show the total amount needed and each Expander's proportionate share calculated by dividing the individual Expander's requested Capacity by the total capacity (4 mgd) for the expansion and multiplying the quotient by the total amount needed in The Project Work Order. The Expanders shall pay any balance due the Authority based on actual cost incurred for the Project, no later than 40 days from receipt of the Authority's invoice.

Example based on a total Capacity expansion of 4 mgd:

<u>Expander</u>	<u>Requested Capacity</u>	<u>Requested Fraction of total Capacity</u>
Norco	0.5 mgd	0.125
Jurupa	1.5 mgd	0.375
Corona	<u>2.0 mgd</u>	<u>0.500</u>
	4.0 mgd	1.0

16. Extra work requests from service providers may be approved by the Administrator if the extra work is less than 12% of the service provider's original contract amount.
17. In the event that the aggregate of all service provider extra work requests exceeds 10% of the aggregate amount of all service provider contracts, each subsequent request for extra work shall be forwarded to the Executive Committee for approval.

18. Construction change orders requested by the Construction Contractor shall be reviewed by the Construction manager after consulting with the inspector.
19. Construction change orders may be approved by the Authority's Administrator if less than \$100,000.
20. Construction change orders of \$100,000 or more and less than \$500,000 shall be considered by the Authority Executive Committee. The Executive Committee may approve the change order or elect to forward the change order to the Authority Board of Directors for consideration.
21. Construction change orders forwarded from the Executive Committee and change orders of \$500,000 or more shall be considered by the Authority Board of Directors.
22. In the event the aggregate amount of all construction change order requests exceeds \$1.0 million (approximately 3% of the anticipated construction contract) each subsequent change order request shall be first reviewed by the Administrator, approved by the Executive Committee and forwarded to the Board of Directors for final approval.
23. In the event the Administrator determines that additional work is urgently needed from either service providers, equipment providers or construction contractors for the protection of life or property or to avoid loss of productivity that is likely to result in a delay claim from the construction contractor, the Administrator - after discussion with two members of the technical advisory committee - may order such urgently needed additional work. The Executive Committee shall be notified of the action by email as soon as practical and a report shall be provided to the Executive Committee at its next meeting.
24. Should any funds deposited by Expanders into the Project Work Order Fund remain upon completion of the Project and all final accountings, the amount shall be paid to individual Expanders in the same proportion as when deposited by Expanders and as shown by the Requested Fraction of Total Capacity in Section 15 of this Agreement. Payments shall be made within 90 days after the issuance of the Notice of Completion for the Project. Expanders shall not earn interest on deposited funds.
25. The Parties hereby authorize the Authority's Board of Directors to order the preparation of an Addendum No. 6 to the Authority's Joint Exercise of Powers Agreement for the purpose of admitting Corona to the Joint Powers Authority as a member agency and for consideration by the Board of Directors and the Authority's member agencies' governing boards no later than 45 days after the Authority's Board of Directors approves this Project Agreement.

26. In the event the Addendum No. 6 is not approved, the amount Corona has deposited, not to exceed, \$4.0 million shall be refunded to Corona without interest earnings, if any, within 40 days of such non-approval. Thereafter, this Agreement shall be terminated and all unexpended funds deposited with the Authority under this Agreement shall be returned to the member agencies making such deposits.
27. The Expanders herewith provide assurance to the Non-Expanders and SAWPA that all costs, expenses, debt repayment obligations, contract and tort liabilities associated with the Project and its appurtenant facilities are solely borne by the Expanders, except to the extent that such costs, expenses, obligations and/or liabilities are incurred as a result of the sole negligence of the Non-Expanders and/or SAWPA.
28. Expanders hereby specifically agree to fully assume and solely bear all financial liability and responsibility of whatever kind or nature for the Project and its appurtenant facilities, including, but not limited to, all costs, expenses, debt repayment obligations and any and all other claims, demands, lawsuits, liabilities, and/or damages arising from, pertaining to, or occasioned by the construction, operation, and/or implementation of the Project and its appurtenant facilities, either directly or indirectly; provided, however, that Expanders shall not be obligated to indemnify Non-Expanders and/or SAWPA if the complained-of act or omission results from Non-Expanders and/or SAWPA sole negligence, and provided further that Expanders shall not provide such indemnification for any obligations, claims, demands, lawsuits, liabilities or other damages to the extent covered by the Authority's liability insurance, if any. This proviso is not intended to, and shall not affect the subrogation rights, if any, of the Authority's liability insurer.
29. Nothing herein is intended to create, nor shall anything herein be construed as creating, any rights in, benefits for or obligations to, any person or entity other than the parties to this Agreement. Nothing herein shall be construed to provide that the Expanders are contracting for or assuming responsibility for any debts, liabilities or obligations of the Authority, and the obligations of the Expanders hereunder shall be limited to the indemnity provided to the Non-Expanders and SAWPA.
30. In the event that a dispute arises under this Agreement, the Parties shall submit the dispute to non-binding mediation before a retired judge or justice paid for by each of the Parties equally.

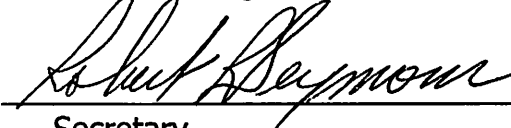
IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year hereinafter indicated.

HOME GARDENS SANITARY DISTRICT

Date: _____

By 
President

Date: _____

By 
Secretary

CITY OF CORONA

Date: _____

By _____
Mayor

Date: _____

By _____
City Clerk

CITY OF NORCO

Date: _____

By _____
Mayor

Date: _____

By _____
City Clerk

JURUPA COMMUNITY SERVICES DISTRICT

Date: _____

By _____
President

Date: _____

By _____
Secretary

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year hereinafter indicated.

HOME GARDENS SANITARY DISTRICT

Dated: _____

By _____
President

Dated: _____

By _____
Secretary

CITY OF CORONA

Dated: _____

By _____
Mayor

Dated: _____

By _____
City Clerk, *chief deputy*

CITY OF NORCO

Dated: _____

By _____
Mayor

Dated: _____

By _____
City Clerk

JURUPA COMMUNITY SERVICES DISTRICT

Dated: _____

By _____
President

Dated: _____

By _____
Secretary

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year hereinafter indicated.

HOME GARDENS SANITARY DISTRICT

Dated: _____

By _____
President

Dated: _____

By _____
Secretary

CITY OF CORONA

Dated: _____

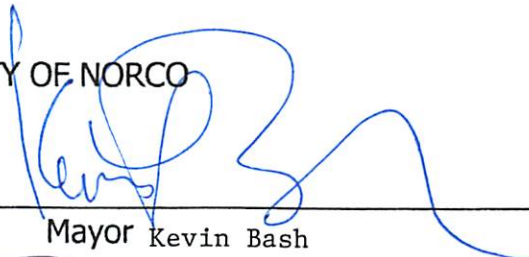
By _____
Mayor

Dated: _____

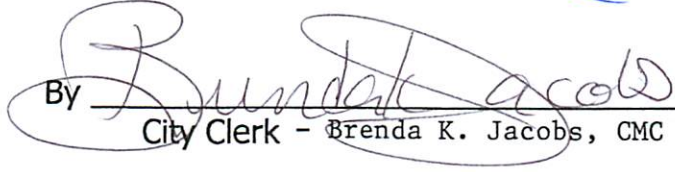
By _____
City Clerk

CITY OF NORCO

Dated: August 1, 2012

By  _____
Mayor Kevin Bash

Dated: August 1, 2012

By  _____
City Clerk - Brenda K. Jacobs, CMC

JURUPA COMMUNITY SERVICES DISTRICT

Dated: _____

By _____
President

Dated: _____

By _____
Secretary

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year hereinafter indicated.

HOME GARDENS SANITARY DISTRICT

Date: _____

By _____
President

Date: _____

By _____
Secretary

CITY OF CORONA

Date: _____

By _____
Mayor

Date: _____

By _____
City Clerk

CITY OF NORCO

Date: _____

By _____
Mayor

Date: _____

By _____
City Clerk

JURUPA COMMUNITY SERVICES DISTRICT

Date: 4/23/12

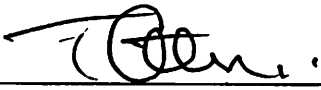
By [Signature]
President

Date: 4/23/12

By [Signature]
Secretary

**SANTA ANA WATERSHED PROJECT
AUTHORITY**

Date: 3/20/12

By 
Chair

Date: _____

By _____
Secretary

**WESTERN MUNICIPAL WATER DISTRICT
OF RIVERSIDE COUNTY**

Date: _____

By _____
President

Date: _____

By _____
Secretary

**SANTA ANA WATERSHED PROJECT
AUTHORITY**

Date: _____

By _____
Chair

Date: _____

By _____
Secretary

**WESTERN MUNICIPAL WATER DISTRICT
OF RIVERSIDE COUNTY**

Date: _____

By _____
President

Date: _____

By _____
Secretary

Exhibit A

WRCRWA Project and Capacity Agreement 4 MGD EXPANSION

Funds Advanced for The Project

June 2009

At its June 2009 meeting the Board of Directors approved Memorandum No. 676 and its funding concept for expenditures related to the Carollo Engineering contract of \$440,000 for preliminary design for treatment plant upgrade and expansion, subsequently amended by the Board May 10, 2010 with an additional \$41,406 to evaluate drop in aerators for a total contract of \$481,406. The contract was terminated with an unused balance of \$17,993 yielding a total expenditure of \$463,413. The Board approved funding on the basis of Existing Capacity owned with final cost to be reconciled after the expansion cost allocation study was complete.

WRCRWA Member Agency	Existing Capacity (mgd)	Percent of total	Pre-Design Allocation 2009	Amended Allocation 2010	Total Contract	Allocation Based on Total Paid
WMWD	1.93	24.125	\$106,150	\$ 9,989	\$116,139	\$111,798
JCSD	3.25	40.625	\$178,750	\$16,821	\$195,571	\$188,261
Norco	2.20	27.500	\$121,000	\$11,387	\$132,387	\$127,439
HGSD	<u>0.62</u>	<u>7.750</u>	<u>\$ 34,100</u>	<u>\$ 3,209</u>	<u>\$ 37,309</u>	<u>\$ 35,915</u>
Total	8.00	100.00	\$440,000	\$41,406	\$481,406	\$463,413

Final reconciliation based on Board Memorandum No. 676 and this Project Agreement provides a credit to JCSD and Norco from The Project Work Order as shown in Exhibits E and F and a refund to WMWD and HGSD payable after construction commences. The Carollo Engineering costs shall become a part of The Project Work Order for purposes of final cost allocation purposes.

Agency	Refund	Agency	Credit
WMWD	\$ 111,798	JCSD	\$188,261
HGSD	<u>\$ 35,915</u>	Norco	<u>\$127,439</u>
Total	\$ 147,713	Total	\$315,700

Exhibit A continued

August 2009

At its August 12, 2009 meeting the Board of Directors approved Memorandum No. 686 and its funding concept for expenditures related to the EIR for treatment plant enhancement and expansion. Funding was initially based on Existing Capacity owned with final cost to be reconciled after the expansion cost allocation study was complete.

WRCRWA Member Agency(mgd)	Existing Capacity	Percent of total	EIR Cost Allocation 2009	EIR Added Allocation 2010	Total EIR Cost 2011
WMWD	1.93	24.125	\$ 14,475	\$1,428	\$15,903
JCSD	3.25	40.625	\$ 24,375	\$2,405	\$26,780
Norco	2.20	27.500	\$ 16,500	\$1,628	\$18,128
HGSD	<u>0.62</u>	<u>7.750</u>	<u>\$ 4,650</u>	<u>\$ 459</u>	<u>\$ 5,109</u>
Total	8.00	100.00	\$ 60,000	\$5,920	\$65,920

Final reconciliation based on Board Memorandum No. 686 and this Project Agreement provides a refund to WMWD and HGSD after construction commences and a credit to JCSD and Norco from The Project Work Order as shown in Exhibits E and F. The EIR costs shall become a part of The Project Work Order for final cost allocation purposes.

Agency	Refund	Agency	Credit
WMWD	\$15,903	JCSD	\$26,780
HGSD	<u>\$ 5,109</u>	Norco	<u>\$18,128</u>
Total	\$ 21,012	Total	\$44,908

March 2011

At its March 31, 2011 meeting the Board of Directors approved Memorandum No. 723 and its funding concept for the first \$500,000 of expenditures for preliminary design to a level of 10% and consideration of at least two alternatives: a 2 mgd expansion and a 4 mgd expansion. Although, due to an oversight, there was no provision for reconciliation of the cost distribution in Memorandum No. 723, reconciliation was intended; therefore, this Agreement provides for that reconciliation based on Expanders deposits, as shown by Exhibits E and F of this Agreement.

	Percent <u>Of total</u>	Initial <u>Maximum</u>	Webb/Aqua <u>Contracts</u>
HGSD	0	0	0
WMWD	0	0	0
SAWPA	0	0	0
JCSD	80%	\$400,000	\$326,537
Norco	10%	\$ 50,000	\$ 40,817
Corona	<u>10%</u>	<u>\$ 50,000</u>	<u>\$ 40,817</u>
	100%	\$500,000	\$408,171

Exhibit B

WRCRWA Project and Capacity Agreement

4 MGD EXPANSION

The Project Budget

Construct additional facilities and utilize unused Existing Capacity and Ultimate Capacity to expand the existing, upgraded 8 mgd treatment plant by 4 mgd in Capacity to a 12 mgd treatment plant Capacity based on average daily flow (ADF) rates. These are Project estimates as of March 2012 and may be adjusted as the Project progresses with WRCRWA Board of Directors approval.

Construction Total	\$30 million
Contingency & EIR	\$ 8 million
Design, CM etc	<u>\$ 5 million</u>
Total "Go Forward" Budget for the Project	\$43 million
Cash Advances prior to approval of this Project Agreement	\$ 1 million
Total Estimated Budget	\$44 million

Exhibit C

WRCRWA Project and Capacity Agreement

4 MGD EXPANSION

Distribution of Existing and Ultimate Capacity

Before the Project

	<u>Upgraded Existing Capacity</u>	<u>Previous Ultimate Capacity</u>	<u>Ultimate Capacity Defined Herein</u>
HGSD	.62	.75	.78
JCSD	3.25	3.23	3.33
Norco	2.20	2.50	2.58
WMWD	1.93	5.15	5.31
Corona	0	0	0
SAWPA	0	0	0
Total	8.0	11.63*	12.00**

*Ultimate Capacity by
Previous agreements.

**Ultimate Capacity defined herein
as 12.00 MGD.

After the Project

	<u>Existing Capacity</u>	<u>Ultimate Capacity</u>
HGSD	.62	.62
JCSD	4.75	4.75
Norco	2.70	2.70
WMWD	1.93	1.93
Corona	2.00	2.00
SAWPA	0	0
Total	12.00	12.00

Exhibit D

WRCRWA Project and Capacity Agreement

4 MGD EXPANSION

COST ALLOCATION DIAGRAM

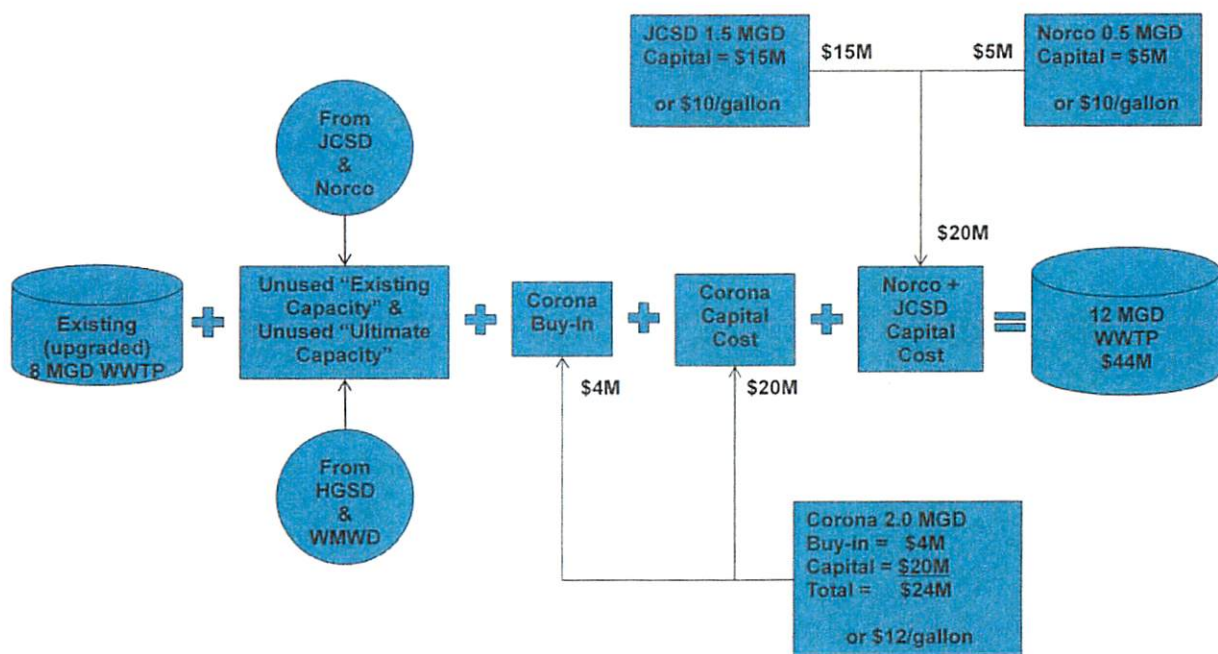


Exhibit E

WRCRWA Project and Capacity Agreement

4 MGD EXPANSION

Expanders Capital Cost Allocation Plan

Expanders shall pay the same cost per gallon, calculated by first reducing the actual cost of The Project by Corona's Buy-In amount and then dividing the remainder by 4 mgd of Capacity.

The following example calculation uses \$42,000,000 as the "go forward" cost of The Project, an estimated project cost (construction costs & soft costs related to construction) for new facilities after fully utilizing Existing Capacity and Ultimate Capacity associated with the existing 8 mgd.

Corona's Buy-In (to become a member of WRCRWA) \$ 4,000,000

Capital Contributions from Expanders

\$42,000,000 Total Estimated "Go Forward" Cost of The Project

\$ 1,167,918 Total Cash Advances from Expanders

\$43,167,918 Approximate Project Total Cost

\$ 4,000,000 Less Corona Buy-In

\$39,167,918 Approximate Total to Share Among Expanders

Approximate Cost Per Gallon

$(\$38,000,000 + \$1,167,918 = \$39,167,918 / 4 \text{ mgd} = \$9.79/\text{gallon})$

Expanders Share of Cost: (Requested Capacity multiplied by \$9.792/gallon)

Expander	Requested Capacity	Expanders Approximate Share of Costs	Expanders Early Deposits	Expanders Go-Forward Deposit Estimate
JCSD	1.5 mgd	\$14,687,969	\$ 847,351	\$13,840,618
Norco	0.5 mgd	\$ 4,895,990	\$ 270,567	\$ 4,625,433
Corona	2.0 mgd	<u>\$19,583,959</u>	<u>\$ 50,000</u>	<u>\$19,533,959</u>
Sub total		\$39,167,918	- \$1,167,918 =	\$38,000,000
Corona's Buy-In		<u>\$ 4,000,000</u>		
Reconciled Total:		\$43,167,918		

For budget purposes, the total has been rounded to \$44,000,000 in accordance with Exhibit "B".

Exhibit F

WRCRWA Project and Capacity Agreement

4 MGD EXPANSION

Expanders Early Capital Deposits and Final Credits

June 2009 Carollo Planning Work

Expander	Carollo Contract Allocation	Distribution of Funds Paid Out	Credit Due the Expander	*If the Expander deposited the full amount of the Carollo Contract Allocation the Credit Due shall be:
JCSD	\$195,571	\$188,261	\$188,261*	\$195,571
Norco	\$132,387	\$127,439	\$127,439*	\$132,387
Corona	0	0	0	0

August 2009 Dunbar EIR Work

Expander	Dunbar Contract Allocation	Distribution of Funds Paid Out	Credit Due the Expander
JCSD	\$26,780	\$26,780	\$26,780
Norco	\$18,128	\$18,128	\$18,128
Corona	0	0	0

March 2011 Webb/Aqua Preliminary Design Work

Expander	Board Max Budget Allocation March 2011 Memo 723	Estimated Funds Paid Out Based on Webb/Aqua Contract	Credit due the Expander	*If the Expander deposited the full amount of the Board Max Budget Allocation, the credit due shall be:
JCSD	\$400,000	\$326,537	\$326,537 *	\$400,000
Norco	\$ 50,000	\$ 40,817	\$ 40,817 *	\$ 50,000
Corona	<u>\$ 50,000</u>	<u>\$ 40,817</u>	<u>\$ 40,817 *</u>	<u>\$ 50,000</u>
	\$500,000	\$408,171	\$408,171	\$500,000

Exhibit F continued

2012 Deposit of funds needed for Final Design

Expander	Webb/Aqua Final Design Contract Allocation	Distribution of Funds to be Paid Out	Credit Due the Expander
JCSD	\$225,000	\$225,000	\$225,000 **
Norco	\$ 75,000	\$ 75,000	\$ 75,000 **
Corona	0	0	0

** Since these are "Go Forward" funds needed to start Final Design they are already a part of the overall budget cost estimate. However the amounts shall be credited as shown in Exhibit E, in The Project Work Order to JCSD and Norco for redistribution using the final cost allocation.