

**REGIONAL RECYCLED WATER PROGRAM
AGREEMENT**

This REGIONAL RECYCLED WATER PROGRAM AGREEMENT (“**Agreement**”) is between THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (“**Metropolitan**”) and COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY (“**Sanitation District**”), who may be referred to individually as “**Party**” or collectively as “**Parties.**”

The Sanitation District is the administrative district and agent for the Joint Outfall System¹ of the County Sanitation Districts of Los Angeles County, and in that capacity operates the Joint Water Pollution Control Plant (“**Joint Plant**”) in Carson, California.

The Parties wish to develop a Regional Recycled Water Program (“**Program**”) with the aim of producing up to 150 million gallons per day (“**MGD**”) of advanced treated water (“**Purified Water**”) from the Joint Plant for use within Metropolitan’s service area.

The Program would benefit Metropolitan and its member agencies by diversifying regional supplies, improving storage and delivery capabilities, and providing a new source of high quality, reliable, and drought-resistant water.

The Program would benefit the Sanitation District by demonstrating the removal of salts and other constituents from the Joint Plant’s secondary-treated effluent is feasible, allowing it to be reclaimed and reused in a beneficial manner.

THEREFORE, the Parties agree as follows:

1. **EFFECTIVE DATE:** The Agreement will be effective on the last date of execution by the Parties of the following: (a) this Agreement; (b) the Ground Lease Agreement specified in Exhibit A, Section A1.a; and (c) the Source Water Supply Agreement specified in Exhibit A, Section A2.a., except that Metropolitan’s duties to indemnify the Sanitation District with respect to CEQA matters as set forth in Section 4 arise immediately upon Metropolitan’s execution of this Agreement.
2. **TERM OF AGREEMENT:** The term of this Agreement will be twenty years from the Effective Date (“**Agreement Term**”), unless terminated earlier by agreement of the Parties.

¹ The members of the Joint Outfall System are County Sanitation Districts Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29, and 34 of Los Angeles County and South Bay Cities Sanitation District of Los Angeles County and are referred to as the “**Joint Outfall Districts.**”

3. PROGRAM AND PROJECT INTENT

- a. The goal of the Program is to produce up to 150 MGD of Purified Water from the Joint Plant that is suitable for groundwater recharge and other uses within Southern California.
- b. The Program would consist of the following projects (collectively “**Projects**”):
 - i. Demonstration Project: Under the **Demonstration Project**, Metropolitan would design, construct, operate, and maintain a small-scale advanced water treatment facility on the Joint Plant property to treat secondary effluent from the Joint Plant with the aim of producing approximately 1 MGD of Purified Water. The principal purpose of the Demonstration Project is to assess the viability of and optimal parameters for proceeding with the Full-Scale Project described below.
 - ii. Full-Scale Project: If the Demonstration Project is successful, then the Parties may undertake a **Full-Scale Project**, subject to compliance with all laws. Under the Full-Scale Project, Metropolitan would design, construct, operate, and maintain large-scale advanced water treatment facilities on Sanitation District property to treat secondary effluent from the Joint Plant with the aim of producing up to 150 MGD of Purified Water. The Full-Scale Project may be constructed in multiple phases.

4. CALIFORNIA ENVIRONMENTAL QUALITY ACT

- a. For purposes of the California Environmental Quality Act (“**CEQA**”), Metropolitan shall be the lead agency for the Demonstration Project and, if appropriate, for the Full-Scale Project. The Sanitation District shall provide in-kind staff assistance to Metropolitan in preparation of any CEQA documentation. Metropolitan shall be responsible for all other costs of CEQA compliance, and shall indemnify, defend, and hold harmless the Sanitation District and its directors, employees, and agents from any losses, claims, or legal actions of any nature arising out of or relating to the Program or projects’ compliance with CEQA.
- b. Project construction will not commence until the Parties have: (i) completed all necessary environmental reviews and public hearing processes; (ii) obtained all required permits, approvals and authorizations; and (iii) negotiated, executed, and delivered the Ground Lease Agreement and Source Water Supply Agreement described in Exhibit A.

5. PROJECT DESCRIPTIONS

- a. Demonstration Project: This Agreement is binding only with respect to the Demonstration Project, the terms and conditions of which are set forth below and in Exhibit A (“**Demonstration Project Terms**”).

b. Full-Scale Project:

- i. The Agreement is not a binding commitment upon the Parties to proceed with the Full-Scale Project. Rather, the terms and conditions that are set forth in this Agreement and in Exhibit B with respect to the Full-Scale Project are proposed terms only (“**FSP Proposed Terms**”).
- ii. Either Party may decide, in its sole discretion, whether and on what terms to proceed with the Full-Scale Project following completion of the Demonstration Project and any environmental review required under CEQA.
- iii. If the Parties decide to proceed with the Full-Scale Project, then the final terms and conditions applicable to that project (“**FSP Final Terms**”) will be set forth in one or more separate agreements. It is the Parties’ present intent that the FSP Final Terms be consistent with the FSP Proposed Terms. However, the FSP Final Terms may deviate from the FSP Proposed Terms. The Parties agree to negotiate in good faith regarding any changes to the FSP Proposed Terms, but each Party retains discretion to negotiate any changes it deems necessary or desirable.

6. NOTICES

- a. Any notice under this Agreement must be in writing and addressed as follows:

The Metropolitan Water District of Southern California
Post Office Box 54153
Los Angeles, CA 90054-0153
Attention: John Bednarski, Section Manager
With a courtesy copy by email to: jbednarski@mwdh2o.com

County Sanitation District No. 2 of Los Angeles County
1955 Workman Mill Road
Whittier, CA 90601
Attn: Technical Services Department Head
With a courtesy copy by email to: pfriess@lacs.org

- b. A properly addressed notice will be effective on the day of delivery, if delivered directly by a Party or by a nationally recognized delivery service, or on the third day after mailing, if sent postage prepaid by U.S. Mail. The Parties shall transmit a courtesy copy of any notice to the other Party by email on the day the notice is sent.
- c. Either Party may change the address listed in section 6.a above by providing five days notice to the other Party.

7. AGREEMENT ADMINISTRATORS:

- a. The following persons are designated as the **Agreement Administrators**:

For Metropolitan Water District:
John Bednarski, Section Manager
Tel: 213-217-5526
Email: jbednarski@mwdh2o.com

For the Sanitation District:
Philip L. Friess, Department Head, Technical Services
Tel: 562-699-7411 x 2501
Email: pfriess@lacs.org

- b. A Party's Agreement Administrator will be the primary point of contact and authorized representative for that Party and shall be responsible for obtaining on that Party's behalf any approvals, authorizations or permits that may be necessary under this Agreement.
- c. Each Party may designate a different person to serve as its Agreement Administrator by providing the other Party with five days notice of any such change.

- 8. RECORDS RETENTION AND INSPECTION:** Each Party shall maintain, and shall cause its employees, agents, representatives, subcontractors and suppliers to maintain, all records, regardless of form or type, related to any activities undertaken or obligations performed pursuant to this Agreement, including any and all project-related documents, reports, data, analyses, plans, specifications, drawings, photographs and financial information ("**Records**"). Records must be maintained for a period of four years following the end of the Agreement Term or the conclusion of any litigation arising out of or related to this Agreement, whichever is later. Each Party may inspect, review, copy, transcribe and/or download the other Party's Records upon five days notice to that Party.

- 9. WORKING COMMITTEE:** The Parties shall establish a working committee ("**Working Committee**") to oversee and manage, on a day-to-day basis, any work or activities conducted pursuant to this Agreement. The Working Committee should be comprised of appropriate managerial, technical, and support staff from each Party. However, each Party retains sole discretion to determine which of its staff to appoint to the Working Committee.

- 10. DISPUTE RESOLUTION:** The Parties shall attempt to resolve any dispute, claim, controversy or disagreement arising from or relating to this Agreement ("**Dispute**") in a prompt, equitable, and amicable manner. Any Dispute will be submitted first to the Working Committee. If the Working Committee does not resolve the Dispute within fifteen days after submittal, then the Dispute will be referred to the Parties' Agreement Administrators. If the Agreement Administrators do not resolve the Dispute within thirty days after referral, then either Party may pursue any legal or equitable remedies it may

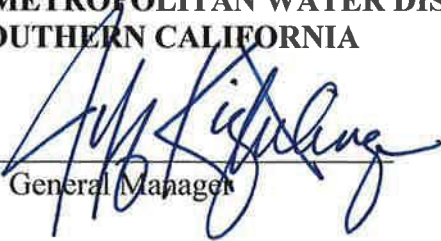
have with respect to that Dispute. The timeframes provided in this section may be extended by mutual agreement of the Parties.

11. **INDEMNITY:** Subject to the CEQA indemnity above and more specific indemnities set forth in any lease agreement or water supply contract, each Party will indemnify the other Party as set forth below.
 - a. The Sanitation District shall defend, indemnify and hold harmless Metropolitan and its Board of Directors, officers, agents, contractors, subcontractors of any tier, and employees (“**Metropolitan Parties**”) from all suits, claims, causes of action or liability of any kind (“**Claims**”) arising out of or in connection with (i) the acts or omissions of the Sanitation District and its Board of Directors, officers, agents, contractors, subcontractors or any tier, and employees (“**Sanitation District Parties**”) under this Agreement; (ii) any work performed by the Sanitation District Parties pursuant to this Agreement; and (iii) the condition of the Joint Plant outside the leasehold areas. This duty to defend, indemnify, and hold harmless will not apply to any suits, claims, causes of action or liability resulting from the willful misconduct or active negligence of any Metropolitan Parties. The Sanitation District shall have any contractor it hires in connection with the Demonstration Project name Metropolitan and the Metropolitan Parties as additional insureds on any policies of insurance required of that contractor by the Sanitation District.
 - b. Metropolitan shall defend, indemnify and hold harmless the Sanitation District Parties from all Claims arising out of or in connection with: (i) the acts or omissions of the Metropolitan Parties under this Agreement; (ii) any work performed by the Metropolitan Parties pursuant to this Agreement; and (iii) Metropolitan’s leasehold for the Demonstration Project Site. This duty to defend, indemnify, and hold harmless shall not apply to any suits, claims, causes of action or liability resulting from the willful misconduct or active negligence of the Sanitation District Parties. Metropolitan shall have any contractor working on the Demonstration Project name the Sanitation District and its affiliates, directors, officers, agents, and employees as additional insureds on any policies of insurance required of that contractor by Metropolitan.
12. **NO PARTNERSHIP; INDEPENDENT CONTRACTORS:** The Parties do not by this Agreement intend to create any partnership or joint power authority. In performing any work under this Agreement, Metropolitan and the Sanitation District are acting as independent contractors and all employees of each Party are solely the employees of that Party and not the agents or employees of the other Party.
13. **WAIVER:** No delay or failure by either Party to exercise or enforce at any time any right or provision of this Agreement will be considered a waiver of that right or provision, unless the waiver is made in writing signed by the Party granting the waiver, which need not be supported by consideration. No single waiver will constitute a continuing or subsequent waiver.

14. **SEVERABILITY:** If any provision of this Agreement is held illegal, invalid, or unenforceable, in whole or in part, then that provision will be modified to the minimum extent necessary to make it legal, valid, and enforceable, and the legality, validity, and enforceability of the remaining provisions shall not be affected.
15. **ASSIGNMENT:** Neither Party shall transfer or assign any of its rights or duties under this Agreement without the written consent of the other Party, which consent shall not be unreasonably withheld.
16. **JURISDICTION AND VENUE:** This Agreement is made and will be interpreted under the laws of the State of California. Venue for any action will be the Superior Court of Los Angeles County, California.
17. **ENTIRE AGREEMENT:** This Agreement and the attached Exhibits constitute the entire agreement of the Parties with respect to the Program. This Agreement may not be modified except by a writing signed by both Parties.

The Parties are signing this Agreement in duplicate originals.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

By: 
General Manager

APPROVED AS TO FORM:

By: 
General Counsel

**COUNTY SANITATION DISTRICT NO. 2
OF LOS ANGELES COUNTY**

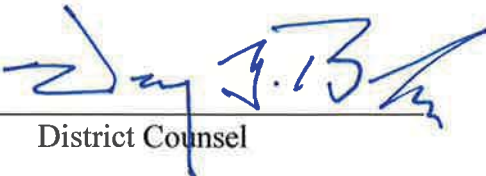
By: 
Chairperson
NOV 16 2015

ATTEST:

By: 
Secretary to the Board

APPROVED AS TO FORM:

Lewis Brisbois Bisgaard & Smith, LLP

By: 
District Counsel

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EXHIBIT A

SPECIFIC TERMS AND CONDITIONS APPLICABLE TO THE DEMONSTRATION PROJECT

A1. **Construction and Operation of Treatment Facility**

- a. Location: The Parties shall agree upon a suitable location within the boundaries of the Joint Plant for construction and operation of the Demonstration Project (“**Demonstration Project Site**”). The Demonstration Project Site will be leased to Metropolitan at no cost for the duration of the Agreement Term, subject to execution of a separate ground lease agreement (“**Ground Lease Agreement**”) consistent with this Agreement.
- b. Capacity: The Demonstration Project is anticipated to have the capacity to produce approximately 1 MGD of Purified Water. The exact design and configuration of this facility will be determined by Metropolitan in its sole discretion.
- c. Construction:
 - i. Within two years after the Effective Date, Metropolitan shall complete all necessary permitting (including compliance with CEQA) and design and construct the Demonstration Project, which may include the following unit processes: ozone, biological granular activated carbon, microfiltration, membrane bioreactor, reverse osmosis, advanced oxidation processes (e.g., hydrogen peroxide, ultraviolet light), ion-exchange and nitrogen removal (e.g., nitrification and denitrification). Metropolitan shall design and construct any power feeds, raw water supply lines, waste stream lines, and other process lines required for the Demonstration Project (“**Ancillary Facilities**”) from suitable tie-in locations at the Joint Plant. The Parties shall agree upon tie-in locations for the Ancillary Facilities prior to the commencement of **Final Design**, defined for the purposes of this agreement as 50% design completion, for the Demonstration Project. Metropolitan shall be responsible for the costs of these permitting, design and construction activities, except to the extent they are covered by other entities.
 - ii. Prior to the commencement of construction activities, Metropolitan shall make reasonable efforts to determine whether any hazardous wastes or materials (“**Hazardous Wastes**”) or contaminated soil or groundwater (“**Contamination**”) exists in, on, or under the Demonstration Project Site. If prior to or during construction of the Demonstration Project Metropolitan determines that any Hazardous Wastes or Contamination are present and will be impacted by construction, then Metropolitan shall notify the Sanitation District of the condition immediately after making its determination and shall cease activities as necessary to avoid further disturbing the site. The Parties shall meet and confer to develop an approach to mitigating the condition as cost-effectively as possible. However, unless the Parties agree otherwise, the Sanitation District shall be responsible for removing, disposing and/or treating all pre-existing Hazardous

Wastes and Contamination and for remediating the site as needed to permit construction of the Demonstration Project. Any delays caused by or resulting from these removal or remediation activities will not be considered a breach of this Agreement. Metropolitan shall be responsible for removal, disposal and/or treatment of all other wastes, deposited, produced, or generated during construction of the Demonstration Project.

d. Ownership and Operation:

- i. Metropolitan will be the owner of the Demonstration Project, including any Ancillary Facilities, and shall operate and maintain them for the duration of the Agreement Term. Except as provided otherwise, Metropolitan shall be responsible for all costs associated with operation and maintenance of the Demonstration Project including any Ancillary Facilities.
- ii. In the event that the Demonstration Project is not able to operate for any reason, Metropolitan shall divert untreated Source Water back into the Joint Plant for disposal. Metropolitan shall give the Sanitation District reasonable notice before taking any such action.
- iii. Either Party may utilize the Demonstration Project for public outreach purposes, which may include providing tours of the facility to members of the public. Neither Party shall deny or impose unreasonable restrictions on the use of and access to the Demonstration Project for such purposes.

e. Removal of Demonstration Project: At the conclusion of the Demonstration Project or this Agreement, whichever comes first, the Sanitation District may purchase the Demonstration Project and Ancillary Facilities for their salvage value, as determined by an independent appraisal. If the Sanitation District does not purchase these facilities, then within two years after notice from the Sanitation District, Metropolitan shall remove all facilities and improvements constructed by Metropolitan associated with the Demonstration Project, including any Ancillary Facilities, and return the Demonstration Project Site to its pre-project condition.

f. Permits and Authorizations: Metropolitan shall obtain any and all permits, authorizations, and approvals needed to construct and operate the Demonstration Project and Ancillary Facilities, and shall comply with any and all laws, rules and regulations applicable to the construction and operation of the Demonstration Project and Ancillary Facilities. The Sanitation District shall cooperate with Metropolitan in securing such permits, authorizations, and approvals.

g. Utilities: The Sanitation District shall be responsible for providing, at no cost to Metropolitan, any and all utility connections and services needed to construct and operate the Demonstration Project, including power, potable water, sewer, and solid waste collection services.

h. Right of Inspection: Upon reasonable notice, the Sanitation District may enter the Demonstration Project Site for the purpose of construction or operations.

A2. Provision of Source Water

- a. General Obligation: The Sanitation District shall provide, at no cost to Metropolitan, secondary effluent from the Joint Plant (“**Source Water**”) in an amount sufficient to meet the treatment capacity of the Demonstration Project as constructed. Prior to commencement of Final Design, the Parties shall agree upon the schedule and criteria for delivery of Source Water to the Demonstration Project. The provision of Source Water is subject to execution of a separate supply agreement (“**Source Water Supply Agreement**”) consistent with this Agreement. Metropolitan acknowledges that circumstances beyond the control of the Sanitation District may adversely impact the quality or volume of Source Water available to the Demonstration Project. If any such circumstances occur, the Sanitation District’s Chief Engineer may temporarily limit the amount of Source Water made available to the Demonstration Project.
- b. Source Water Delivery Facilities:
 - i. Construction: Within two years after the Effective Date, the Sanitation District shall complete any necessary permitting and design and construct all facilities necessary to deliver Source Water to the Demonstration Project (“**Source Water Delivery Facilities**”). In addition, the Sanitation District shall design and construct any other facilities necessary to provide the tie-ins at the Joint Plant (“**Tie-In Facilities**”) for the Ancillary Facilities specified in Section A1.c.i. The Sanitation District shall be responsible for the costs of these permitting, design and construction activities, except to the extent they are covered by other entities.
 - ii. Ownership and Operation: The Sanitation District shall be the sole owner of the Source Water Delivery and Tie-In Facilities and shall operate and maintain these facilities for the duration of the Agreement Term. The Sanitation District shall be responsible for all costs associated with operation and maintenance of the Source Water Delivery and Tie-In Facilities.
 - iii. Permits and Authorizations: Sanitation District shall obtain any permits, authorizations needed to construct and operate the Source Water Delivery and Tie-In Facilities and shall comply with all laws, rules and regulations applicable to the construction and operation of such facilities. Metropolitan shall cooperate with Sanitation District in securing such permits, authorizations and approvals.

A3. Distribution and Use of Purified Water

- a. Metropolitan shall convey all Purified Water produced by the Demonstration Project to a suitable location within the Joint Plant, as determined by the Sanitation District prior to commencement of Final Design for the project. The Sanitation District shall be responsible for any subsequent distribution, use or disposal of the Purified Water, and will be entitled to any revenues resulting from that distribution, use, or disposal. The Sanitation District shall obtain and maintain any permits necessary to distribute or use Purified Water from the Demonstration Project.

- b. The Sanitation District is not obligated to use any Purified Water, and any Purified Water that is not utilized for non-potable reuse applications will be disposed at the Joint Plant at no cost to Metropolitan.
- c. Metropolitan makes no representations, warranties or guarantees of any kind as to the quantity or quality of Purified Water produced by the Demonstration Project.

A4. Disposal of Treatment Residuals

- a. The Sanitation District shall be responsible for disposal of any residuals generated by the treatment of Source Water at the Demonstration Project (“**Treatment Residuals**”), including membrane filtration backwash, reverse osmosis brine concentrate and other waste streams (such as acids, anti-scalants, dispersants, and membrane cleaning agents). Metropolitan shall return all Treatment Residuals to a suitable location at the Joint Plant, as determined by the Sanitation District prior to commencement of Final Design for the project.
- b. Connection of the Demonstration Project to the Joint Plant for purposes of disposing of Treatment Residuals will not be considered a sewer connection. The Sanitation District shall not assess or collect from Metropolitan any charge or fee of any kind associated with the disposal of Treatment Residuals.

A5. Laboratory Analyses and Data Sharing

- a. The Parties shall jointly conduct sampling and laboratory analyses as necessary to monitor and determine the treatment efficacy of the Demonstration Project. The Sanitation District shall be responsible for all sampling and laboratory analyses upstream of the Demonstration Project and Metropolitan shall be responsible for all sampling laboratory analyses within and downstream of the Demonstration Project. If potential cost savings and efficiencies would result from further collaboration on sampling or laboratory analyses, the Parties will meet and confer to determine if a revised division of responsibilities is warranted.
- b. The Parties shall share all water quality and process data associated with operation of the Joint Plant and the Demonstration Project during the Agreement Term.

A6. Development of Full-Scale Project Requirements

- a. Source Water Criteria: The Parties acknowledge the importance of establishing and maintaining Source Water flow and quality to ensure the long-term success of the Program. Accordingly, the Parties shall meet and confer to develop water quality and flow criteria for the Source Water that will ensure continuous and cost effective treatment at any Full-Scale Project facilities constructed during subsequent phases of the Program. The Parties also shall meet and confer to develop appropriate enhancements to the Sanitation District’s industrial wastewater pretreatment program aimed at controlling the entry of contaminants into the Source Water.

- b. Additional Studies and Evaluations: The Parties shall cooperate with each other in conducting and preparing any additional studies, evaluations and plans necessary to assess the economic and technical feasibility, financing needs, right-of-way and permitting requirements, environmental and regulatory compliance obligations, and engineering, construction and operational specifications for the Full-Scale Project (“**Additional Studies and Evaluations**”). Unless agreed otherwise, each Party shall be solely responsible for the costs of any Additional Studies and Evaluations it conducts or prepares.
- A7. **Pursuit of Grant and Loan Funding**: The Parties shall jointly pursue grant and loan funding in support of the Demonstration Project. Any grant and loan funding received will be distributed based on the percentage of Demonstration Project facility design and construction costs contributed by each Party in support of the Demonstration Project, not including any fees waived or in-kind services provided by either Party.

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EXHIBIT B

PROPOSED TERMS AND CONDITIONS APPLICABLE TO THE FULL-SCALE PROJECT

B1. Construction and Operation of Treatment Facilities

- a. Location: The Parties shall agree upon a suitable location within the boundaries of the Joint Plant for construction and operation of the Full-Scale Project (“**Full-Scale Project Site**”) up to 35 acres. Subject to a separate Full-Scale Project ground lease agreement, the Full-Scale Project Site property will be leased to Metropolitan for the following rent: (i) First Year of Lease -- \$5,000 per acre in 2015 dollars, adjusted using the Los Angeles-Riverside-Orange County Consumer Price Index for All Urban Consumers or the equivalent successor index (“**CPI**”) to the effective date of the lease (“**Base Rent**”); (ii) Subsequent Years of Lease -- Base Rent adjusted annually for inflation using the CPI, but in no event will the adjustment ever be less than zero. The term of the Full-Scale Project ground lease will begin when the construction of the Full-Scale Project commences.
- b. Capacity: The Full-Scale Project is anticipated to have the capacity to produce approximately 150 MGD of Purified Water at full build out. Prior to the commencement of Final Design for each phase of the Full-Scale Project, the Parties shall agree upon the maximum capacity for that phase. However, the exact design and configuration of each phase will be determined by Metropolitan in its sole discretion.
- c. Construction:
 - i. Metropolitan shall design and construct the Full-Scale Project, which may include the following unit processes: ozone, biological granular activated carbon, microfiltration, membrane bioreactor, reverse osmosis, advanced oxidation processes (e.g., hydrogen peroxide, ultraviolet light), ion-exchange and nitrogen removal (e.g., nitrification and denitrification). Metropolitan shall design and construct any power feeds, raw water supply lines, waste stream lines, and other process lines required for the Full-Scale Project (“**Ancillary Facilities**”) either from suitable tie-in locations at the Joint Plant (for Source Water and Treatment Residuals) or directly from utility providers (for potable water, power, and any other utilities). The Parties shall agree upon tie-in locations for the Ancillary Facilities prior to the commencement of Final Design. Metropolitan shall be responsible for the costs of these design and construction activities, except to the extent they are covered by other entities.
 - ii. The Parties acknowledge that the property potentially available for the Full-Scale Project Site has been undergoing remediation. Prior to the commencement of construction activities for the first phase of the Full-Scale Project, Metropolitan shall make reasonable efforts to determine the extent to which any hazardous wastes and material (“**Hazardous Wastes**”) or contaminated soil or groundwater

(“**Contamination**”) will be impacted by construction. The Parties shall meet and confer to develop an approach to mitigating the condition as cost-effectively as possible. However, unless the Parties agree otherwise, the Sanitation District shall be responsible for removing, disposing and/or treating all pre-existing Hazardous Wastes and Contamination and for remediating the site as needed to permit construction of the Full-Scale Project. Any delays caused by or resulting from these removal or remediation activities will not be considered a breach of this Agreement. Metropolitan shall be responsible for removal, disposal and/or treatment of all other wastes, deposited, produced, or generated during construction of the Full-Scale Project.

d. Ownership and Operation:

- i. Metropolitan will be the owner of the Full-Scale Project, including any Ancillary Facilities, and shall operate and maintain them for the duration of the Program, which is anticipated to have minimum of duration of fifty years. Except as provided otherwise, Metropolitan shall be responsible for all costs associated with operation and maintenance of the Full-Scale Project and Ancillary Facilities.
 - ii. In the event that the Full-Scale Project is not able to operate for any reason, Metropolitan shall divert untreated Source Water back into the Joint Plant for disposal. Metropolitan shall give the Sanitation District reasonable notice before taking any such action.
- e. Removal of Full-Scale Project: At the conclusion of the Program, the Sanitation District may purchase the Full-Scale Project including any Ancillary Facilities for their salvage value, as determined by an independent appraisal. If the Sanitation District does not purchase these facilities, then within five years after notice from the Sanitation District, Metropolitan shall remove all facilities and improvements constructed by Metropolitan associated with the Full-Scale Project and Ancillary Facilities and return the Full-Scale Project Site to its pre-project condition.
- f. Permits and Authorizations: Metropolitan shall obtain any and all permits, authorizations, and approvals needed to construct and operate the Full-Scale Project and Ancillary Facilities, and shall comply with any and all laws, rules and regulations applicable to the construction and operation of the Full-Scale Project and Ancillary Facilities. The Sanitation District shall cooperate with Metropolitan in securing such permits, authorizations, and approvals.
- g. Utilities: Except for the provision of Source Water as set forth in Section B2, the disposal of treatment residuals as set forth in Section B4, and sewer services, Metropolitan shall be responsible for providing any and all utility connections and services needed to construct and operate the Full-Scale Project, including power, potable water, and solid waste collection services.
- h. Right of Inspection: Upon reasonable notice, the Sanitation District may enter the Full-Scale Project Site for the purpose of inspecting construction or operations.

B2. Provision of Source Water

- a. General Obligation: The Sanitation District shall provide, at no cost to Metropolitan, secondary effluent from the Joint Plant (“**Source Water**”) in an amount sufficient to meet the treatment capacity for each phase of the Full-Scale Project as constructed. The provision of Source Water is subject to execution of a separate supply Full-Scale Project agreement (“**Source Water Supply Agreement**”) consistent with this Agreement.
- b. Source Water Criteria:
 - i. Prior to the commencement of Final Design for each phase of the Full-Scale Project, the Parties shall agree upon the water quality and flow criteria that will apply to any Source Water delivered to the project during that phase (“**Source Water Criteria**”). Once these Source Water Criteria are established, the Sanitation District shall not make any changes in the Joint Plant’s facilities, operations or design that may significantly adversely affect the quality or quantity of Source Water, unless required to meet regulatory or other legal requirements. The Parties shall meet and confer in good faith to determine appropriate actions if changes are required. In addition, the Sanitation District shall not enter into any agreement to provide secondary-treated effluent from the Joint Plant to another entity or project that could significantly reduce the amount of Source Water available to the Full Scale Project without the consent of Metropolitan.
 - ii. Metropolitan acknowledges that circumstances beyond the control of the Sanitation District may adversely impact the quality or volume of Source Water available to the Full-Scale Project. If any such circumstances occur, the Sanitation District’s Chief Engineer may temporarily limit the amount of Source Water made available to the Full-Scale Project. The Sanitation District shall use its best efforts, including modifying Joint Plant operations, to re-establish the availability of Source Water meeting the agreed-upon Source Water Criteria as soon as reasonably possible. In the event of a decrease in availability of Source Water, the Chief Engineer shall promptly notify Metropolitan.
 - iii. The Sanitation District will not be liable for any costs or damages incurred by Metropolitan arising out of or relating to any temporary interruption in service or limitation of availability of Source Water (“**Temporary Interruption**”) due to either decreased influent flows, operation difficulties, or an inability of the Sanitation District to meet NPDES requirements. Metropolitan hereby releases and covenants not to sue the Sanitation District from or for any and all claims and actions arising out of a Temporary Interruption.
- c. Source Water Facilities
 - i. Construction: The Sanitation District shall permit, design and construct all facilities necessary to provide the tie-ins at the Joint Plant (“**Tie-In Facilities**”), as specified in section B1.c.i. The Sanitation District shall be responsible for the

costs of these permitting, design and construction activities, except to the extent they are covered by other entities.

- ii. Ownership and Operation: The Sanitation District shall be the sole owner of the Tie-In Facilities and shall operate and maintain these facilities for the duration of the Program. The Sanitation District shall be responsible for all costs associated with operation and maintenance of the Tie-In Facilities.
- iii. Permits and Authorizations: Sanitation District shall obtain any permits, authorizations and approvals needed to construct and operate the Tie-In Facilities and shall comply with all laws, rules and regulations applicable to the construction and operation of such facilities. Metropolitan shall cooperate with Sanitation District in securing such permits, authorizations and approvals.
- d. Source Water Control Program: Prior to commencement of Final Design for each phase of the Full-Scale Project, the Parties shall agree on a program for controlling the entry of contaminants into the Source Water delivered to the Full-Scale Project during that phase.
- e. Acceptance of Non-Specification Source Water: The Sanitation District shall immediately notify Metropolitan if for any reason the Sanitation District is, or anticipates that it will be, unable to meet the Source Water Criteria agreed to by the Parties pursuant to section B2.b above in the Source Water delivered to Metropolitan (“**Non-Specification Source Water**”). Metropolitan shall use reasonable efforts to accept Non-Specification Source Water for treatment at the Full-Scale Project. However, Metropolitan may reject any Non-Specification Source Water if Metropolitan determines based on its sole judgment that such Source Water may cause significant damage to the Full-Scale Project or cannot be treated to applicable standards in a cost-effective manner.

B3. Distribution and Use of Purified Water:

- a. Metropolitan Rights and Responsibilities: Except as otherwise set forth in this Section B3, Metropolitan shall be responsible for and have discretion over any distribution, use or disposal of all Purified Water.
- b. Sanitation District Allocation: Metropolitan shall provide Purified Water to the Sanitation District (“**District Allocation**”) at no cost based on the treatment capacity of the Full-Scale Project as follows:
 - i. 0 to 60 MGD: 600 acre-feet per year (AFY);
 - ii. 61 to 100 MGD: 1,200 AFY;
 - iii. 101 to 150 MGD: 1,800 AFY.
- c. Delivery: Metropolitan shall deliver the District Allocation to groundwater basins within the Sanitation District’s Joint Outfall service area where Metropolitan has

facilities suitable for this purpose. The District Allocation will be delivered together with Metropolitan's distribution of Purified Water. The allocation between groundwater basins is at the Sanitation District's discretion. Any agreements for the replenishment use of the District's Allocation are the responsibility of the Sanitation District.

- d. Participation within Sanitation District Service Area: [SUBJECT TO FURTHER NEGOTIATION]
- e. Option: The Sanitation District has option to purchase up to 1 MGD of additional Purified Water at Metropolitan's cost of treatment for Joint Plant uses. Joint Plant uses include those uses identified and implemented during the Demonstration Project. Delivery and use of Purified Water under this option is the responsibility of the Sanitation District.

B4. Disposal of Treatment Residuals

- a. The Sanitation District shall be responsible for disposal of any residuals generated by the treatment of Source Water at the Full-Scale Project, including membrane filtration backwash, reverse osmosis brine concentrate and other waste streams (such as acids, anti-scalants, dispersants, and membrane cleaning agents), in accordance with all applicable laws, rules and regulations.
- b. Prior to the commencement of Final Design for each phase of the Full-Scale Project, the Parties shall agree to the quantity and quality of Treatment Residuals to be disposed at the Joint Plant during that phase. If the anticipated quantity and quality of Treatment Residuals would interfere with the Sanitation District's ability to discharge its Joint Plant waste streams in compliance with applicable laws, rules and regulations, the Parties shall agree to meet and confer to develop actions within their respective treatment operations to ensure such compliance.
- c. Metropolitan shall return all Treatment Residuals to suitable locations at the Joint Plant, as determined by the Sanitation District prior to commencement of Final Design for the project.
- d. As needed, Metropolitan will treat non-brine components of Treatment Residuals to standards generally applicable to current industrial waste dischargers to the Sanitation District's Joint Outfall System.
- e. Connection of the Full-Scale Project to the Joint Plant for purposes of disposing of Treatment Residuals will not be considered a sewer connection. The Sanitation District shall not assess or collect from Metropolitan any charge or fee of any kind associated with the disposal of Treatment Residuals at the Joint Plant, subject to the meet and confer provisions in B4.b.

B5. Laboratory Analyses and Data Sharing

- a. The Parties shall jointly conduct sampling and laboratory analyses as necessary to monitor and determine the treatment efficacy of the Full-Scale Project. The Sanitation District shall be responsible for all sampling and laboratory analyses upstream of the Full-Scale Project and Metropolitan shall be responsible for all sampling laboratory analyses within and downstream of the Full-Scale Project. If potential cost savings and efficiencies would result from further collaboration on sampling or laboratory analyses, the Parties shall meet and confer to determine if a revised division of responsibilities is warranted.
- b. The Parties shall share all water quality and process data associated with operation of the Joint Plant and the Full-Scale Project during the term of the Program.

B6. Pursuit of Grant and Loan Funding: The Parties shall jointly pursue grant and loan funding in support of the Full Scale Project. Any grant and loan funding received will be distributed based on the percentage of Full Scale Project facility design and construction costs contributed by each Party in support of the Full Scale Project, not including any fees waived or in-kind services provided by either Party. Each Party may, upon 10 days notice, inspect the Program-related books and records of the other Party.