

NOVATO SANITARY DISTRICT

Meeting Date: October 21, 2013

The Wastewater Operations Committee of the Novato Sanitary District will hold a meeting at 2:00 PM, Monday, October 21, 2013 at the District offices, 500 Davidson Street, Novato.

AGENDA

1. AGENDA APPROVAL:

2. PUBLIC COMMENT (PLEASE OBSERVE A THREE-MINUTE TIME LIMIT):

This item is to allow anyone present to comment on any subject not on the agenda, or to request consideration to place an item on a future agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Committee at this time as a result of any public comments made.

3. CONSIDER APPROVAL OF MINUTES OF THE SEPTEMBER 16, 2013 MEETING

4. WASTEWATER TREATMENT FACILITIES OPERATIONS AND MAINTENANCE REPORT FOR SEPTEMBER 2013:

- a. Treatment Plant Performance Report
- b. Maintenance Report
- c. Safety and training
- d. Review Contract Service Agreement for Operation, Maintenance, and Management of Wastewater Treatment Facilities
- e. Odor control, noise, and landscaping report

5. COLLECTION SYSTEM OPERATION AND MAINTENANCE REPORT FOR SEPTEMBER 2013:

- a. Collection System Maintenance
- b. Pump Station Maintenance
- c. Collection System Performance
- d. Safety and Training

6. RECLAMATION FACILITY REPORT FOR SEPTEMBER 2013

- a. Ranch Operations
- b. Irrigation Parcels
- c. Irrigation Pump Station
- d. Sludge Handling and Disposal

7. ADJOURNMENT:

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at (415) 892-1694 at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting.

Materials that are public records and that relate to an open session agenda item will be made available for public inspection at the District office, 500 Davidson Street, Novato, during normal business hours.

September 16, 2013

A regular meeting of the Wastewater Operations Committee of Novato Sanitary District was held at 2:00 p.m., Monday, September 16, 2013, at the District Office, 500 Davidson Street, Novato.

MEMBERS PRESENT: NSD Board Members William Long and Jerry Peters.

STAFF PRESENT: Beverly James, Manager-Engineer
Sandeep Karkal, Deputy Manager-Engineer
Steve Krauthem, Field Services Superintendent
Tim O'Connor, Collections System Supervisor
Brian Exberger, Assistant Project Manager, Veolia Water
Julie Swoboda, Administrative Secretary

ALSO PRESENT: Lynda Rodefer, Veolia Water
Kevin Karaker, Veolia Water

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

APPROVAL OF MEETING MINUTES FOR AUGUST 13, 2013: The August 13, 2013 minutes were approved as written.

WASTEWATER TREATMENT FACILITIES OPERATIONS AND MAINTENANCE REPORT FOR AUGUST 2013:

- Treatment Plant Performance Report, Maintenance Report and Safety & Training:
Brian Exberger, Assistant Plant Manager, Veolia Water, gave an overview of the treatment plant operations for the month of August. He stated that there were no permit exceedances, violations or excursions and noted that the treatment facility and the recycled water facility continue to run very well. Mr. Exberger stated that the volume of recycled water produced in August was 16.22 million gallons.

Mr. Exberger reported on the key events at the Novato treatment facility, the Ignacio transfer pump station, the recycled water plant and the sludge lagoons. He stated that Aeration Basin #3 was drained and cleaned and that an eight hour plant shut down took place to accommodate Contract C work. Mr. Exberger identified equipment that is/will be out of service due to planned servicing, maintenance or replacement.

Mr. Exberger reported that Veolia employees have been accident free for a total of 1,186 days/53,370 hours. He stated that Jerome Meter (H2S) readings continue to be taken in the Lea Drive neighborhood and within the treatment facility. He discussed the safety training for the month and reviewed the treatment plant performance graphs.

The Manager introduced Kevin Karaker, Management Systems and Health & Safety, Veolia Water. Mr. Karaker provided the District with a site specific environmental policy

draft report and gave a PowerPoint presentation outlining proposed environmental improvement objectives for the District.

- Odor control: Deputy Manager-Engineer Sandeep Karkal stated that staff continues to work to address issues of concern relating to odor control, noise, and landscaping. The Deputy Manager-Engineer stated that the floating modular covering units for the aeration basins have been modified in preparation for reinstallation. He stated that odor consultant Dave McEwen, Brown and Caldwell, met recently with the Lea Drive neighbors. He noted that District personnel continue to meet regularly with the Lea Drive neighborhood residents to discuss odor and noise concerns.

COLLECTION SYSTEM OPERATION AND MAINTENANCE REPORT FOR AUGUST 2013:

The Deputy Manager-Engineer discussed the Collections System Monthly Report for August 2013. He reported that the Collections System crew cleaned a total of 44,403 feet of sewer pipeline and that the department completed 222 maintenance work orders which were generated in August. He stated that the department's CCTV (closed caption televised) van was in the field for 16 working days and that 25,628 feet of main sewer line was televised. The Deputy Manager-Engineer pointed out that the Collections Department has been accident free for a total of 212 days.

The Deputy Manager-Engineer reviewed the Collections System monthly and Pump Station reports. He stated that there was one sanitary sewer overflow in August. He stated that the event was caused by a combination of root intrusion and wipes which resulted in a discharge of approximately 50 gallons.

RECLAMATION FACILITY REPORT FOR AUGUST 2013:

The Deputy Manager-Engineer presented the Reclamation Facilities report for August. He stated that the rancher grazed cattle on all three reclamation sites. He gave an overview of repairs of the facilities irrigation valves, actuators and pumps. He stated that the storage ponds are storing approximately 67 million gallons of recycled water.

The Deputy Manager-Engineer stated that approximately 86 million gallons of recycled water was used for irrigation in August.

ADJOURNMENT: There being no further business to come before the Committee, the meeting adjourned at 3:35 p.m. The next Wastewater Operations Committee meeting will be held on Monday, October 21 at 2:00 PM.

Respectfully submitted,

Beverly James
Manager-Engineer

Julie Swoboda, Recording



October 17, 2013

Ms. Beverly James
Manager - Engineer
Novato Sanitary District
500 Davidson Street
Novato, CA 94545

Subject: Veolia Water Operations Report – September 2013

Dear Ms. James:

We are pleased to provide this updated activity report for September 2013.

As always, please give me a call at 707-208-4491 should you have any questions.

Regards,

A handwritten signature in blue ink that reads 'John Bailey'.

John Bailey
Project Manager

**MONTHLY OPERATIONS REPORT
September 2013**

Prepared for

**NOVATO SANITARY DISTRICT (NSD)
WASTEWATER TREATMENT PLANT
500 Davidson Street
Novato, CA 94545**

Prepared by

Veolia Water West Operating Services, Inc. (VWWOS)

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TREATMENT PLANT PERFORMANCE SUMMARY: September 2013:

Reclamation/Storage – Waste Discharge Requirements (WDR)

Parameter	Value		Limit	
	Ave	Max	#1	#2
Flow, MGD (monthly ave/max)	3.96	4.39	N/A	N/A
Max Peak Hour, MGD – Daily (Dry Weather)	N/A	N/A	N/A	N/A
Influent BOD ₅ , lb/day (month ave/max)	9,867	10,926	N/A	N/A
Influent TSS, lb/day (monthly ave/max)	12,945	15,952	N/A	N/A
Effluent BOD ₅ , mg/L (monthly ave/weekly max)	8	9	40	N/A
Effluent TSS, mg/L (monthly ave/weekly max)	4	5	N/A	N/A
Effluent BOD ₅ - % Removal, Minimum	97	N/A	N/A	N/A
Effluent TSS - % Removal, Minimum	99	N/A	N/A	N/A
Ammonia, mg/L – (monthly ave/daily max)	N/A	N/A	N/A	N/A
pH, su (min / max)	6.9	7.1	6.5	8.5
Total Coliform (5 Sample Median) / mpn/100 ml	170	N/A	240	N/A
Total Coliform (maximum) / mpn/100 ml	3,000	N/A	10,000	N/A
Total Permit Exceedances (WDR)	0			

NA – Not Applicable

Discussion of Violations / Excursions: NONE

Title 22 - Recycled Water Production and Quality

Description	Units	Value	Limit
Volume Produced	Million Gallons	11.26	N/A
Average Turbidity	NTU	1.4	< 2.0
Turbidity > 5 NTU (in 24 hour)	Minutes	6	72
Minimum CT (disinfection)	ml-min/L	> 450	> 450
Minimum Dissolved Oxygen (DO)	mg/L	8.2	> 1.0
Maximum Total Coliform	mpn/100 ml	2	2

OPERATIONS & MAINTENANCE STATUS / REVIEW:**Key events for the period:****Novato**

- Routine rounds, readings and maintenance
- Installed new Gravity Belt Thickener (GBT) Polymer Pump
- Installed *PODZ* in aeration basins, for odor control
- October 1 – resume Bay discharge
- Assisted NSD Collections with Hamilton Pump Station Grinder
- Replaced master brake cylinder on Ops vehicle
- Replaced lower bearing on grit classifier
- Replaced breaker in UV (disinfection) Channel #3

Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement

- Headworks Channel #2 (Contract “C” Work)
- Primary Clarifier #2 OOS – Preparation for recoating as part of Contract “C”
- GBT Odor Fan #1 OOS - replace bearings/belts

Ignacio Transfer Pump Station

- Routine rounds, readings and maintenance
- Influent Pump #3 removed by Shape Inc (Flygt Pump rep) for impeller retrofit
- Teamed with Collection Crew to Pig (clean) force main at transfer pump station (Ignacio)
- Cleared Influent Pump #1 of blockage

Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement

- Influent Pump #3 removed by Shape for impeller retrofit

Recycled Water Plant

- Performed plant rounds and maintenance
- Produced 11.26 million gallons of recycled water in September
- Replaced filter backwash sample pump
- Installation of new air dryer and oil/water separator on compressors

Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement

- None

Sludge Lagoons

- Performed routine rounds and inspection
- Transfer solids from lagoons to dedicated land disposal (DLD) – NSD Activity

Standard Operating Procedures

- Targeted 68 SOPs for development
- To date 90 SOPs are on file
- Continue to add and update as needed

ADMINISTRATION:

- Electronic Self Monitoring Report August submitted on 9/18/13

SAFETY AND TRAINING:

- Monthly plant safety inspections for Novato WWTP and Ignacio Pump Station completed
- Five Minute Tailgate training is held daily with the O&M staff.
- No safety incidents for the month of September 2013
- Accident Free: 6/1/10 – 9/30/13: 1,216 days / 55,449 hours
- Ergonomic Training
- 3 employees to Richmond for Confined Space Training
- Reviewed SOP for taking a Coliform Sample
- Reviewed SOP on Wet Weather Pumps
- Reviewed SOP on Removal and Restoration of Aeration Basins from Service

ODORS:

- Jerome Meter (H2S) readings performed in neighborhood and within treatment plant.

MISCELLANEOUS

- Process Control Management Plan (PCMP) meetings held regularly
- EMS Presentation to Wastewater Committee and Board

Veolia Support Staff On/Off Site (Various Times)

John O'Hare	Technical Support
Chris McAuliffe	District Manager
John Herron	Northern California Area Manager
Bryce Behnke	Technical Support via conference call & web exchange
Jeremiah Danielson	Environmental, Health, and Safety
Mel Demsky	Regional Director of Asset Management
Dan Brown	Asset Manager

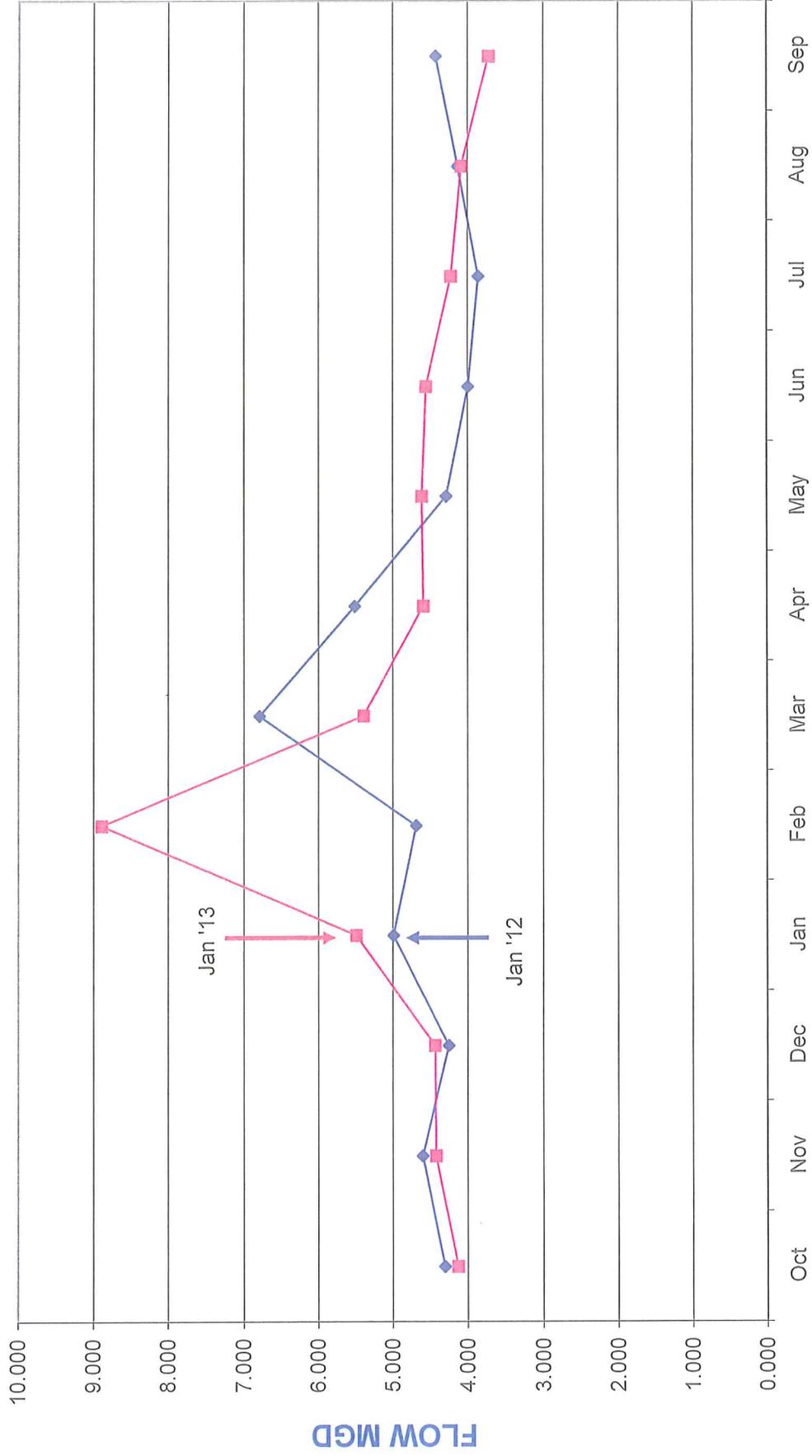
Novato Sanitary District
BOD/TSS Report



September, 2013

Date	Flow MGD	Influent				Effluent				BOD % Removal PERCENT	TSS % Removal PERCENT
		BOD		TSS		BOD		TSS			
		mg/l	lb/d	mg/l	lb/d	mg/l	lb/d	mg/l	lb/d		
09/01/13	3.69										
09/02/13	4.16										
09/03/13	3.86										
09/04/13	3.96	276	9,115	483	15,952	7	231	<3	<99	97.5	99.4
09/05/13	3.90	281	9,140	321	10,441	<5	<163	<3	<98	98.2	99.1
09/06/13	3.65	265	8,067	385	11,720	10	304	<3	<91	96.2	99.2
09/07/13	3.74										
09/08/13	4.17										
09/09/13	3.68	356	10,926	397	12,184	9	276	<3	<92	97.5	99.2
09/10/13	4.02										
09/11/13	3.78	317	9,993	379	11,948	8	252	5	158	97.5	98.7
09/12/13	3.94										
09/13/13	3.83	299	9,551	394	12,585	9	287	6	192	97.0	98.5
09/14/13	3.85										
09/15/13	4.15	274	9,483	397	13,741	8	277	5	173	97.1	98.7
09/16/13	3.86										
09/17/13	4.05	323	10,910	351	11,856	8	270	5	169	97.5	98.6
09/18/13	4.05										
09/19/13	4.03	299	10,049	432	14,520	7	235	4	134	97.7	99.1
09/20/13	3.80										
09/21/13	3.77										
09/22/13	4.36										
09/23/13	4.39	281	10,288	400	14,645	6	220	5	183	97.9	98.8
09/24/13	4.01										
09/25/13	4.03	301	10,117	368	12,369	8	269	<3	<101	97.3	99.2
09/26/13	4.09										
09/27/13	3.96	326	10,767	405	13,376	<5	<165	3	99	98.5	99.3
09/28/13	4.01										
09/29/13	3.94										
09/30/13	4.18										
Weekly Averages											
09/07/13	Week 1	274	3,980	396	5,763	7	106	3	44		
09/14/13	Week 2	324	4,607	390	5,552	9	123	5	67		
09/21/13	Week 3	299	4,603	393	6,065	8	118	5	72		
09/28/13	Week 4	303	4,713	391	6,107	6	99	4	58		
	Week 5										
Monthly											
Minimum	3.65	265	8,067	321	10,441	<5	<74	<3	<41	96	98
Maximum	4.39	356	10,926	483	15,952	10	138	6	87	98	99
Total	118.91										
Average	3.96	300	9,867	393	12,945	<8	<112	<4	<60	97	99

FLOW COMPARISON



Effluent BOD / TSS Concentration

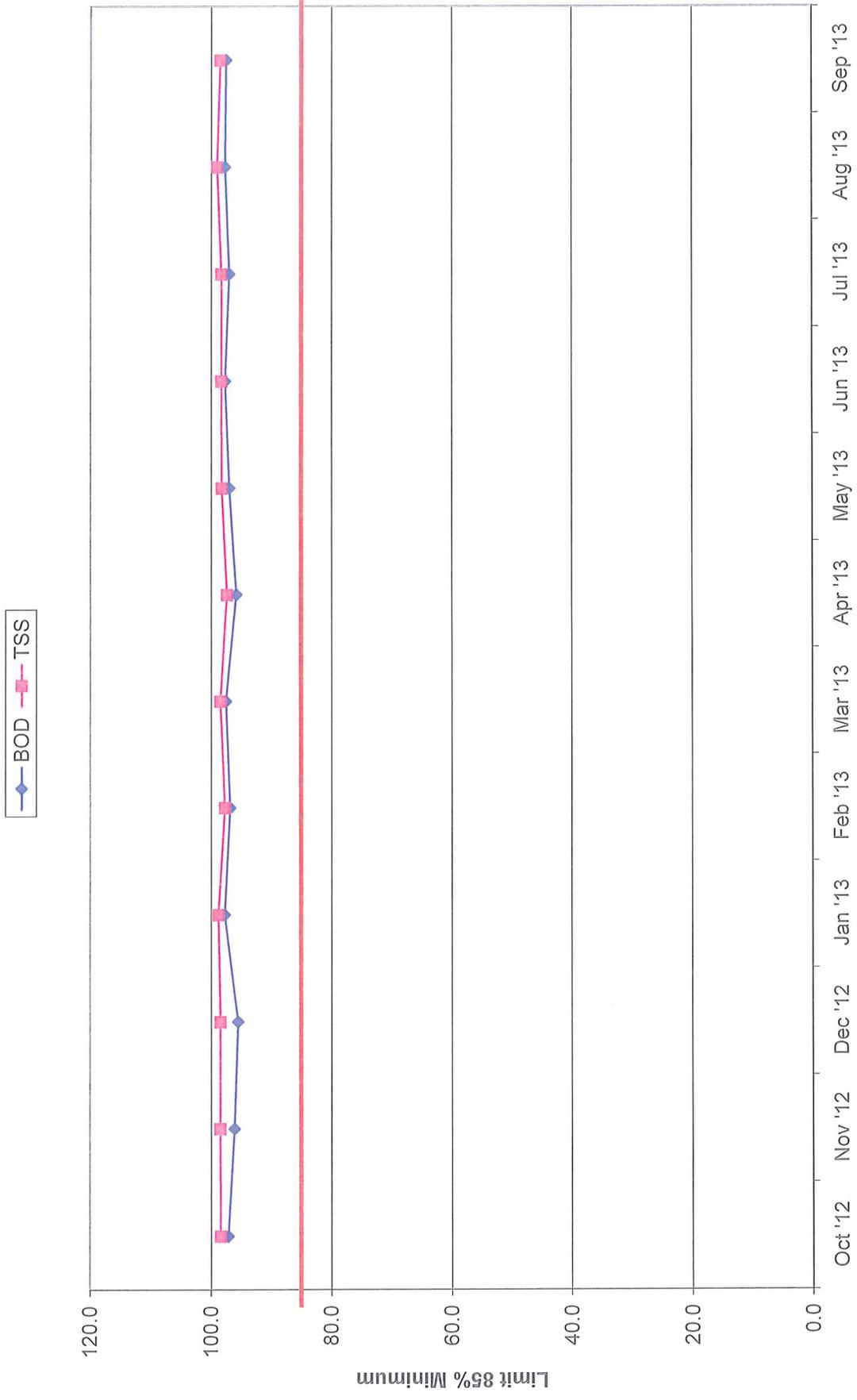
NPDES LIMITS WET SEASON
BOD & TSS - 30 mg/L Monthly Ave, 45 mg/L Weekly Ave
NPDES LIMITS DRY SEASON
BOD - 15 mg/L Monthly Ave, 30 mg/L Weekly Ave
TSS - 10 mg/L Monthly Ave, 20 mg/L Weekly Ave
WDR (Waste Discharge Requirements) RECLAMATION
BOD - 40 mg/L

—◆— BOD —■— TSS



See Limits Above

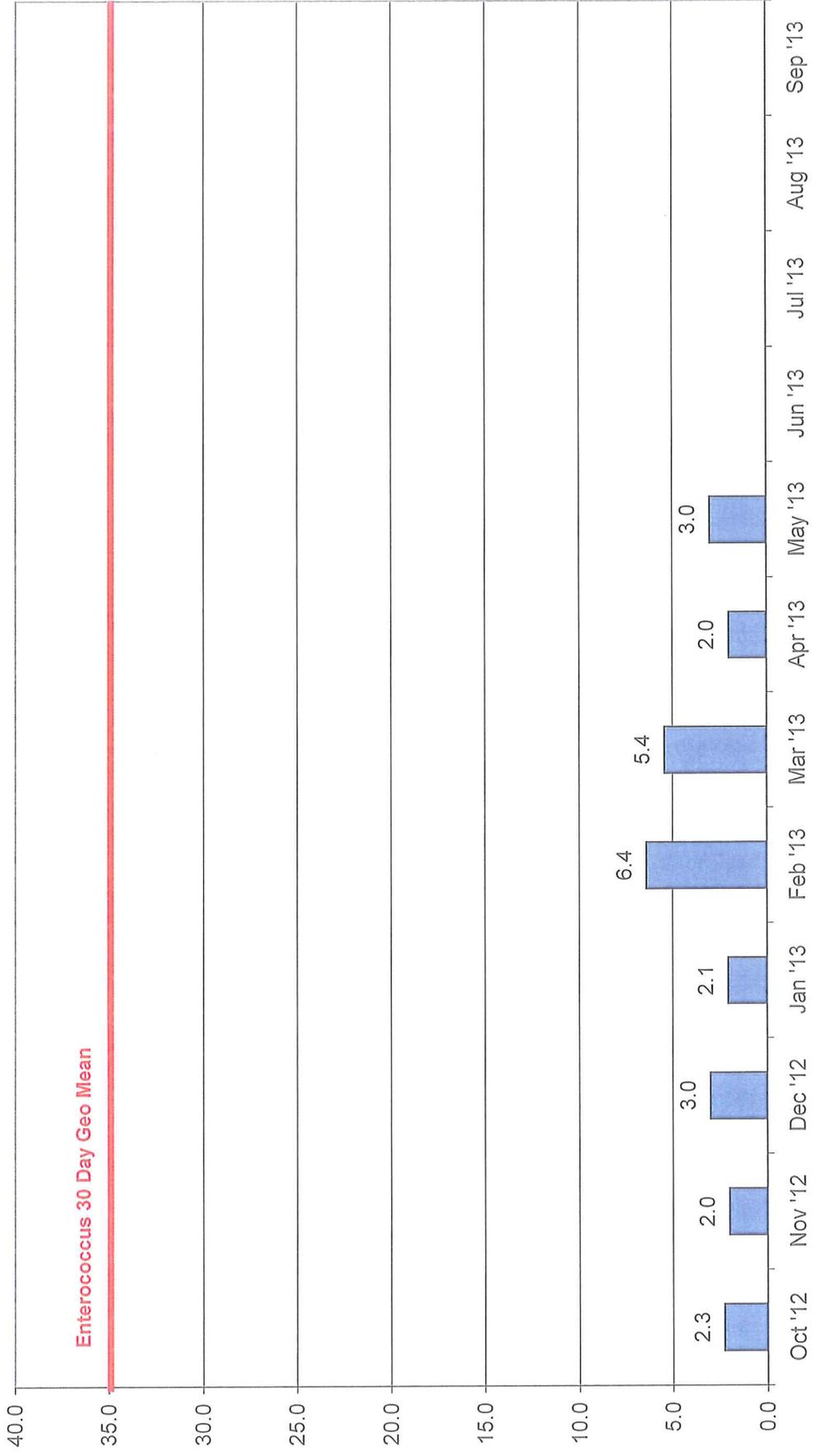
BOD / TSS Percent Removal



LIMITS - NPDES
Entero 30 day geo mean 35 mpn /100ml

Disinfection

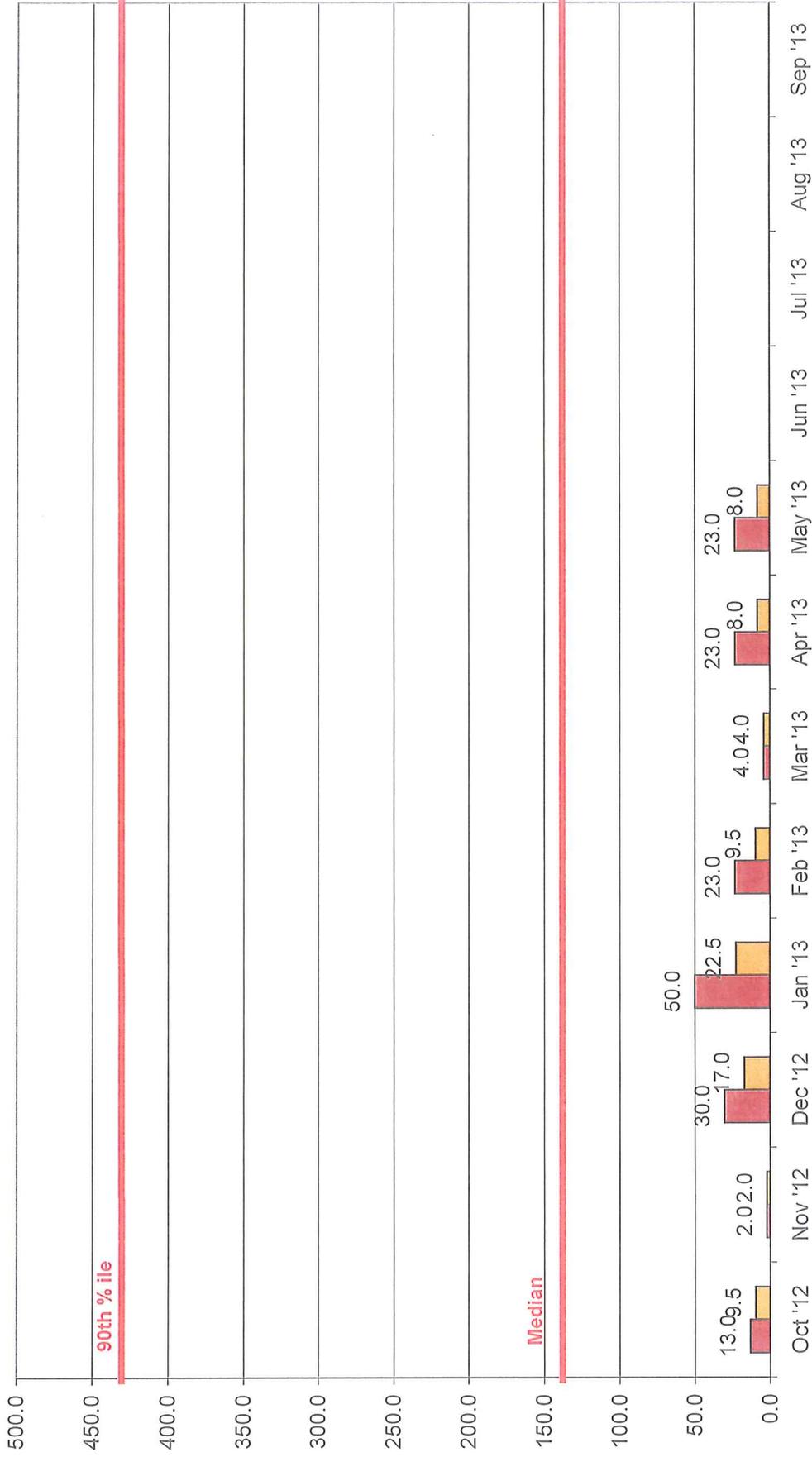
Enterococcus



Disinfection

LIMITS - NPDES
 Fecal 140 mpn monthly median
 Fecal 430 mpn 90th percentile 30 day

Fecal 90th %ile Fecal Med



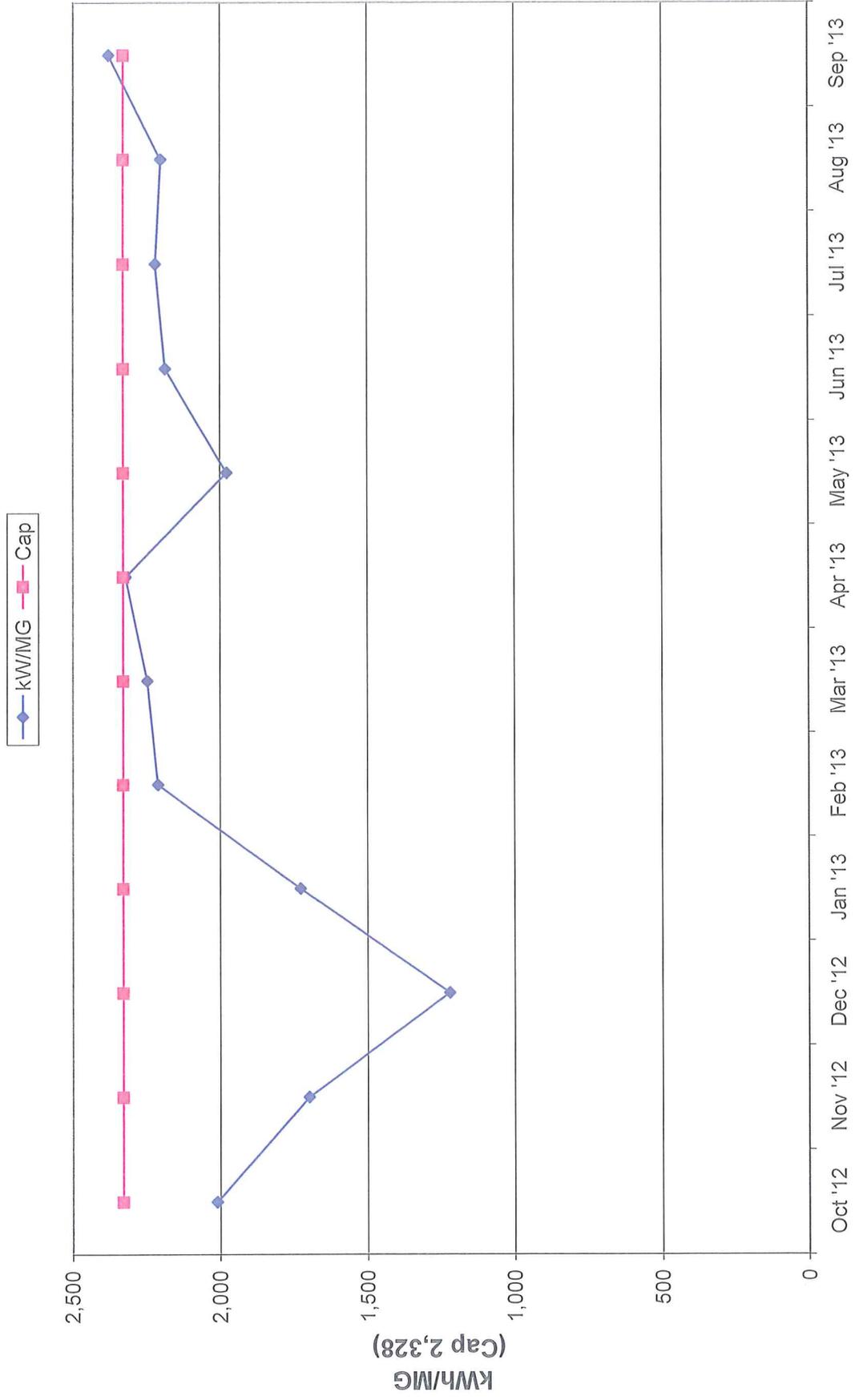
Disinfection

TOTAL COLIFORM LIMITS - WDR
 5 Sample Median - 240 mpn /100 ml
 Maximum - 10,000 mpn/100 ml

Median 5 Maximum



Energy kWh/MG

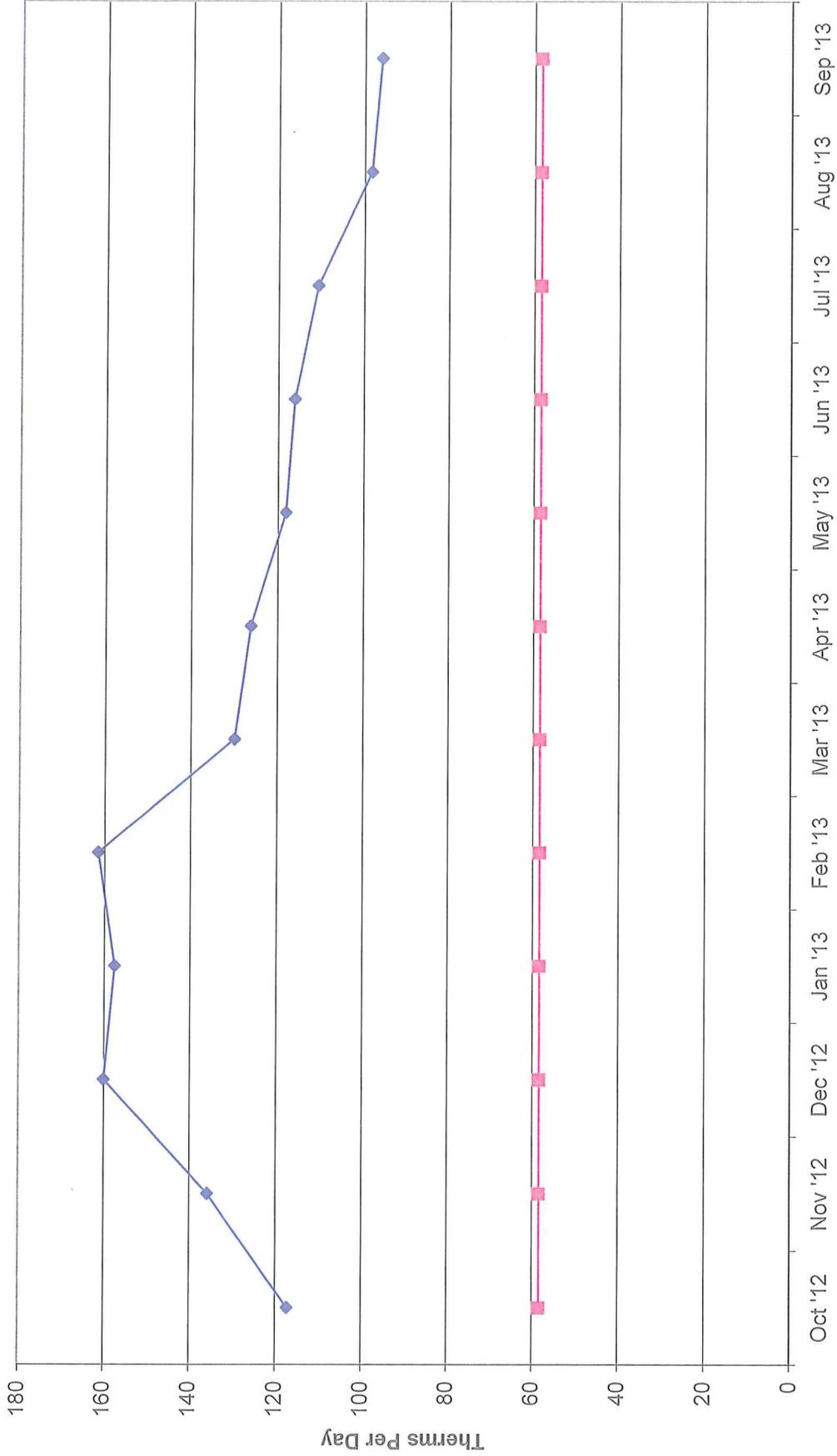


Energy kWh



Natural Gas Use

◆ Natural Gas ■ Cap



NOVATO SANITARY DISTRICT
WATER RECLAMATION 2013
COMPLIANCE SUMMARY REPORT

September	Fil Inf Q	Million Gallons Delivered			Influent Turbidity		Effluent Turbidity		Cl ² Dose mg/L		DO mg/L	Coliform mpn	CT Min
		Rec	Bank	Pot	Max	Ave	Min +5	Ave	Min	Ave			
September 1	0.65	0.24	X										
September 2	0.72	0.42			< 20	NA	0	1.9				< 2	> 450
September 3	1.14	0.66			< 20	NA	0	1.8				< 2	> 450
September 4	0.91	0.73			< 20	NA	0	1.8					> 450
September 5	0.79			0.58									
September 6	0.89			0.84								< 2	
September 7	0.84	0.74			< 20	NA	0	1.7			8.27	< 2	> 450
September 8	0.85	0.58			< 20	NA	0	1.9			8.35	< 2	> 450
September 9	0.82	0.73			< 20	NA	0	1.5			8.46	< 2	> 450
September 10	0.87	0.71			< 20	NA	0	1.4				< 2	> 450
September 11	0.92	0.57			< 20	NA	0	1.6			8.33	< 2	> 450
September 12	0.75	0.77			< 20	NA	0	1.5				< 2	> 450
September 13	0.66	0.62			< 20	NA	0	1.3				< 2	> 450
September 14	0.48	0.17			< 20	NA	0	1.4			8.23	< 2	> 450
September 15	0.68	0.12	X									< 2	
September 16	0.55	0.60	X		< 20	NA	6	1.6			8.25	< 2	> 450
September 17	0.52	0.68	X		< 20	NA	0	1.8				< 2	> 450
September 18	0.95	0.70			< 20	NA	0	1.1				< 2	> 450
September 19	0.59	0.71	X					1.4				< 2	> 450
September 20	0.78	0.23	X		< 20	NA	0	1.1				< 2	> 450
September 21	0.51	0.09	X										
September 22	0.51	0.12	X										
September 23	0.43	0.07	X										
September 24	0.50	0.20	X									< 2	
September 25	0.65	0.10	X		< 20	NA	0	0.8				< 2	> 450
September 26	0.65	0.14	X									< 2	
September 27	0.68	0.18	X		< 20	NA	0	0.8				< 2	> 450
September 28	0.71	0.13	X		< 20	NA	0	1.0				2	> 450
September 29	0.65	0.18	X										
September 30	0.64	0.07	X										
Total	21.29	11.26	0.00	1.42		NA							
Min	0.43	0.07	0.00	0.58	20	NA	< 0.0	< 0.8	0.0	0.0	8.2	< 2	> 450
Max	1.14	0.77	0.00	0.84	20	NA	< 6.0	< 1.9	0.0	0.0	8.5	< 2	> 450
Ave	0.71	0.40	#DIV/0!	0.71	20	NA	< 0.3	< 1.4	#DIV/0!	#DIV/0!	8.3	< 2	> 450
Count	30	28	0	2	18	NA	18	19	0	0		22	19

All water delivered September 1, 15, 22, 21, 23, 26, 29, & 30 was Banked water.
 All water delivered September 5th & 6th was Potable Water
 Update Needed
 September 24 Sample taken at 0730 September 25 (Operating day is from 0800 - 0800).

WORK ORDER STATISTICS

September 1, 2013 - September 30, 2013

	Open Work Orders Due Prior to 9/1/13	Open Work Orders 9/1/13 - 9/30/13	Total Open Work Orders
Preventative	2	318	320
Corrective	0	26	26
Total	2	344	346

	Closed Work Orders 9/1/13 - 9/31/13
Preventative	317
Corrective	21
Total	338

Total Outstanding Work Orders as of October 1, 2013	8
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NOVATO SANITARY DISTRICT
CONTRACT SERVICE AGREEMENT
For
OPERATION, MAINTENANCE, and MANAGEMENT
OF WASTEWATER TREATMENT FACILITIES



9/24/09

**WASTEWATER TREATMENT FACILITIES
OPERATIONS, MAINTENANCE & MANAGEMENT
SERVICE AGREEMENT**

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1.0 DEFINITIONS

As used herein, the following terms shall have the following meanings:

“Acceptance” means demonstration by the Company in accordance with the procedures and protocols to be developed by the District and Company as specified in Schedule 15.

“Acceptance Date” means the earlier of: the date on which the Acceptance Test to demonstrate the ability of the Capital Improvement(s) to achieve Acceptance Standards is approved, with the criteria for approval of the Acceptance Test as set forth in Schedule 14 hereto; or that date which is one (1) day prior to the second anniversary of the installation of the Capital Improvement(s).

“Acceptance Standards” means the standards to be developed by the District and Company as set forth in Schedule 15 hereto.

“Acceptance Test(s)” or “Acceptance Testing” means the tests, plans and procedures to be developed by the District and Company as set forth in Schedule 15 hereto.

“Additional Services” has the meaning specified in Section 8.1 herein.

“Affiliate(s)” means any person, corporation or other entity directly or indirectly controlling or controlled by another person, corporation or other entity or under direct or indirect common control with such person, corporation or other entity.

“Agreement” means the Wastewater Treatment Facility Contract Operations, Maintenance and Management Service Agreement, dated as of September 25, 2009 by and between the Novato Sanitary District, Novato, California and the Company.

“Annual Facility Inspection” has the meaning specified in Schedule 2.4.3 hereto.

“Annual Report” means the annual operation and maintenance report as defined in Schedule 2, Section 2.4.2.

“Applicable Law” means any law, rule, regulation, requirement, action, determination, guideline, or order of, or any Legal Entitlement issued by any governmental body having jurisdiction, applicable from time to time to the sitting, design, acquisition, construction, equipping, financing, ownership, possession, start-up, testing, operation, maintenance or repair of the Facility; the delivery, treatment, discharge or storage of wastewater; the transfer, handling, transportation or disposal of Residuals; or any other transaction or matter contemplated hereby including, without limitation, any of the foregoing which pertain to wastewater.

“Auditor” has the meaning specified in Schedule 2 Section 2.4.6 hereof.

“Auditor’s Report” has the meaning specified in Schedule 2, Section 2.4.6 hereof.

“Billing Month” means each calendar month within the Fiscal Year starting July 1st and ending June 30th)

“Biologically Toxic Substances” means any substance or combination of substances in sufficient quantities contained in the plant influent in violation of the District’s Industrial Pre-treatment Ordinance that cannot be treated at the existing treatment facility and / or that negate the ability of the existing treatment processes and their operation to meet the discharge requirements of the District’s NPDES Permit.

“Biosolids” means any liquid, semisolid or solid material resulting from the wastewater treatment process at the Facility and which requires disposal as waste material.

“BAI” means the Blended Adjustment Index computed using sixty five percent (65%) of the year to year change in CPI, twenty-seven percent (27%) of the year to year change of the ECI, and eight percent (8%) of the year to year change of the PPI as specified in Appendix A, Schedule 8.

“BOD” means biochemical oxygen demand.

“Bond(s)” mean the debt obligations of the District.

“Capital Improvement(s)” means the Upgrade Project, as well as any Facility Modification in excess of ten thousand dollars (\$10,000.00).

“Change in Law” means (a) the enactment, adoption, promulgation, modification or repeal after the Contract Date of any federal, State, or local law, ordinance, code, rule, regulation or other similar legislation or the repeal, modification or change in interpretation after the Contract Date, of any federal, State, or local law, ordinance, code, rule, regulation, official permit, license or approval by any regulatory or judicial entity having jurisdiction with respect to the design, construction, operation, maintenance, or management of the Facility, or (b) the imposition, after the Contract Date, of any material conditions on the issuance, modification or renewal of any official permit, license or approval necessary for the operation and maintenance of the Facility, which, in either case, modifies the Company’s obligations of Facility performance or decreases or increases the cost of the Company's operation or maintenance of the Facility and which are less or more burdensome than the most stringent requirements:

- (i) of Applicable Law in effect on the Contract Date;
- (ii) agreed to by the District in any applications for official permits, licenses or approvals for the Facility, other than any requirements set forth in said applications to comply with future laws, ordinances, codes, rules, regulations or similar legislation, or
- (iii) in the Performance Standards and guarantees set forth in Schedule 1 hereto and operation and maintenance standards set forth in Schedule 2 hereto; or
- (iv) imposed by Prudent Industry Practices.

For purposes of part (a) of this definition, no enactment, adoption, promulgation or modification of laws, ordinances, codes, rules, regulations or similar requirement or enforcement policy with respect to any such requirement shall be considered a Change in Law if, as of the Contract Date, such law, ordinance, code, rule, regulation or other similar requirement would

have affected directly the continued management, operation and maintenance of the Facility by the District after the Commencement Date in the absence of this Agreement and such law, ordinance, code, rule, regulation or other similar requirement was either (i) officially proposed by the responsible agency and published in final form in the Federal Register or equivalent federal, State or local publication and thereafter becomes effective without further action or (ii) enacted into law or promulgated by the appropriate federal, State or local body before the Contract Date, and the comment period with respect to which expired on or before the Contract Date and any required hearing concluded on or before the Contract Date in accordance with applicable administrative procedures and which thereafter becomes effective without further action. In no event shall a change in any federal, State or local tax law be considered a Change in Law.

“Chemical(s)” means those chemicals required for the performance of the Services by the Company as specified in Schedules 2 and 12 hereto.

“CMMS” means the computerized maintenance management system as specified in Schedule 2, Section 2.2.3.

“COD” means chemical oxygen demand.

“Collection System” means the pipes and related appurtenances, including pump stations, that collect and convey raw wastewater (influent wastewater) to the headworks of the District’s wastewater treatment plant.

“Commencement Date” means the date upon which the Company begins Services under this Agreement and is entitled to payment of the Service Fee from the District after having satisfied all conditions precedent and received a notice to proceed discussed in Section 2.0 of this Agreement.

“Company” means Veolia Water West Operating Services, Inc., holding California State Contractor License Number 866429, a corporation organized and existing under the laws of Delaware, and its permitted successors and assigns, with which the District has entered into the Agreement.

“Company Indemnitees” has the meaning specified in Subsection 5.2.3 hereof.

“Contract Date” means the date of the Agreement as executed by the parties.

“Contract Term” or “Term” has the meaning specified in Schedule 16.

“Contract Year” means the consecutive twelve (12) month period commencing on the Commencement Date in 2009 and annually thereafter.

“Cost Substantiation” means, with respect to any cost reasonably incurred or to be incurred by the Company which is directly or indirectly chargeable in whole or in part to the District hereunder, delivery to the District of a certificate signed by an officer or an authorized representative of the Company, setting forth the amount of such cost and the provisions of this Agreement under which such cost is properly chargeable to the District, stating that such cost is a

fair market price for the service or materials supplied or to be supplied and that such services and materials are reasonably required pursuant to this Agreement, and accompanied by copies of such documentation as shall be necessary to reasonably demonstrate that the cost as to which Cost Substantiation is required has been or will be incurred. Such documentation shall include reasonably detailed information concerning (1) all Subcontracts; (2) the amount and character of materials furnished or to be furnished, the persons from whom purchased or to be purchased, the amounts payable therefore and related delivery and transportation costs and any sales or personal property Taxes, if any; (3) a statement of the equipment used or to be used and any rental payable therefore; (4) Company worker hours, duties, wages, salaries, benefits, assessments, taxes and premiums; and (5) Company expenses, including administrative expenses, bonds, insurance, overhead, and other expenses; and (6) Company profit calculated at ten percent (10%) of all other costs.

“Corrective Maintenance,” or “repair,” means maintenance conducted to get Equipment working again.

“CPI” means the Consumer Price Index, All Urban Consumers as published by the United States Department of Labor, Bureau of Labor Statistics not seasonally adjusted, US City Average, All Items, Series ID: CUUR0000SA0.

“District” means the Novato Sanitary District of Novato, CA including its elected officials, employees, and consultants.

“District Consultant” means either (1) a consultant employed by the District, or (2) a nationally recognized consultant or firm, having experience with respect to the design, construction, testing, operation and maintenance of wastewater treatment facilities, in either case designated for purposes relating to this Agreement, as the District Consultant from time to time in writing by the District.

“District Indemnitees” has the meaning specified in Subsection 5.2.1 hereof.

“DMR(s)” means the monthly Discharge Monitoring Report(s).

“Effluent Limits” means the requirements of Applicable Law with respect to the quality of the treated effluent discharge from the Facility as set forth in Appendix B attached hereto and as such requirements may be modified by Applicable Law.

“Encumbrance(s)” means any lien, lease, mortgage, security interest, charge, judgment, judicial award, attachment or encumbrance of any kind with respect to the Site, other than Permitted Encumbrances.

“EPA” means the United States Environmental Protection Agency or any successor.

“EPI” means the Employment Cost Index as published by the United States Department of Labor, Bureau of Labor Statistics Not Seasonally Adjusted Table 4, Compensation – Civilian Workers – Service Occupations.

“Equipment” means all vehicles, machinery, structures, components, parts and materials located at the Facility that are utilized in the operation, maintenance, and management of the Facility.

“Facility” or “Facilities” means the District Wastewater Treatment Facility as described in Schedule 4, including computer hardware and systems provided by the District for operation, maintenance, and management by the Company but excluding the Collection System, laboratory, administrative offices, and Biosolids facilities and the Reclamation Facility.

“Facility Modification” means any improvement, alteration, addition or other modification to the Facility following completion and acceptance of the Upgrade Project that is requested or approved by the District. Facility Modifications do not include maintenance, repair or replacement activities required to be undertaken by the Company pursuant to this Agreement as provided within the Services and Service Fee.

“Fees and Costs” means reasonable fees and expenses of employees, attorneys, architects, engineers, expert witnesses, contractors, consultants and other persons, and costs of transcripts, printing of briefs and records on appeal, copying and other reimbursed expenses, and expenses reasonably incurred in connection with any Legal Proceeding.

“Fiscal Year” means the fiscal year of the District which runs from July 1st through June 30th.

“Governmental Body” means any federal, State, District or regional legislative, executive, judicial or other governmental board, agency, authority, District, administration, court or other body, or any official thereof having jurisdiction.

“Guarantee” means the agreement executed between the District and the Project Guarantor in the form attached as Schedule 6 hereto.

“Insurance” refers to the policies of insurance to be provided by the District and Company as specified in Schedule 7 hereto.

“Insurance Certificate” has the meaning specified in Schedule 7 hereto.

“Inventory Report” shall have the meaning specified in Schedule 12 hereto.

“Legal Entitlement” means any and all Permits, licenses, approvals, authorizations, consents and entitlements of whatever kind and however described which are required under Applicable Law to be obtained or maintained by any person with respect to the operation, maintenance and management of the Facility or the performance of any other obligation of the Company under this Agreement, including, without limitation, the Permits detailed in Schedule 8 hereto.

“Legal Proceeding” means every action, suit, litigation, arbitration, administrative proceeding, and any other legal or equitable proceeding having a bearing upon this Agreement.

“Loss-and-Expense” means any and all loss, liability, forfeiture, obligation, damage, delay, penalty, judgment, order, deposit, cost, expense, claim, demand, charge, tax, or expense, including violation of any Federal, State, or local law, ordinances or regulations except as explicitly excluded or limited under any provision of this Agreement.

“Manuals” shall mean the Operations Manual and related operations and maintenance manuals, including future operations manuals issued with new Equipment.

“Monthly Reports” have the meaning specified in Schedule 2 hereto.

“NPDES” means the National Pollutant Discharge Elimination System.

“NPDES Permit” has the meaning specified in Schedule 8 and Appendix B hereto.

“Operations and Maintenance Plan” or “O&M Plan” has the meaning specified in Schedule 3 hereto.

“Operation Period” means the period of time commencing with and including the Commencement Date, through and including the last day of the Contract Term.

“Operations Records” has the meaning specified in Schedule 2 hereto.

“Pass Through Cost” means that component of the monthly invoices from the Company to the District consisting of those costs of the Company listed on Schedule 13 hereto, but not included in the Service Fee.

“Performance Bond” has the meaning specified in Section 5.6 hereof.

“Performance Requirements” means the Performance Standards set forth in Schedule 1 hereto as well as any other performance requirements relating to the Facility set forth in this Agreement that are the responsibility of the Company, including the requirements in Schedules 2 and 3.

“Performance Standards” has the meaning specified in Schedule 1 hereof.

“Permits” has the meaning specified in Schedule 9 hereto.

“Permitted Encumbrances” means, as of any particular time, any one or more of the following:

(1) encumbrances for utility charges, taxes rates and assessments payable by the Company (District) not yet delinquent or, if delinquent, the validity of which is being contested diligently and in good faith by the Company (District) and against which the Company (District) has established appropriate reserves in accordance with generally accepted accounting principles;

(2) any encumbrance arising out of any judgment rendered which is being contested diligently and in good faith by the Company, the execution of which has been stayed or against which a bond or bonds in the aggregate principal amount equal to such judgments shall have

been posted with a financially sound insurer and which does not have a material and adverse effect on the ability of the Company to construct or operate the Facility;

(3) any encumbrance arising in the ordinary course of business imposed by law dealing with materialmen's, mechanics', workmen's, repairmen's, warehousemen's, landlords', vendors' or carriers' encumbrances created by law, or deposits or pledges which are not yet due or, if due, the validity of which is being contested diligently and in good faith by the Company and against which the Company has established appropriate reserves;

(4) servitudes, licenses, easements, encumbrances, restrictions, rights-of-way and rights in the nature of easements or similar charges which will not in the aggregate materially and adversely impair the operation, maintenance and management of the Facility by the Company; and

(5) zoning and building bylaws and ordinances, municipal bylaws and regulations, and restrictive covenants which do not materially interfere with the operation, maintenance, and management of the Facility by the Company.

“PPI” means the Producer Price Index as published by the United States Department of Labor, Bureau of Labor Statistics Not Seasonally Adjusted, Chemicals and Allied Products – Series ID: WPU06.

“Predictive Maintenance” means techniques which help determine the condition of in-service Equipment in order to predict when maintenance should be performed. This approach offers cost savings over routine or time-based preventive maintenance, because tasks are performed only when warranted. This approach also allows lower repair or rebuild maintenance prior to a more costly major failure and also avoids unplanned loss of redundancy.

Predictive, or condition-based maintenance, attempts to evaluate the condition of Equipment by performing periodic or continuous (online) Equipment condition monitoring. The ultimate goal of Predictive Maintenance is to perform maintenance at a scheduled point in time when the maintenance activity is most cost-effective and before the Equipment loses optimum performance. This is in contrast to time- and/or operation count-based maintenance, where a piece of Equipment gets maintained whether it needs it or not.

“Preventive Maintenance” or “PM” means the care and servicing by personnel for the purpose of maintaining Equipment and Facilities in satisfactory operating condition by providing for systematic inspection, detection, tasks and correction of incipient failures either before they occur or before they develop into major defects.

“Project Guarantor” or “Guarantor” means the entity financially guarantying the performance of the Company to fulfill the obligations of the Agreement by issuing the Guarantee.

“Prudent Industry Practices” means those methods, techniques, standards and practices which, at the time they are employed and in light of the circumstances known or believed to exist at the time, are generally accepted as reasonably prudent in the wastewater treatment industry or

other industry in which services similar to the Services are provided as practiced in the United States with respect to a plant of similar type as the Facility.

“Reclamation Facility” means the facility owned by the District and operated for water reclamation and related purposes located adjacent to Highway 37 between Atherton Avenue and Novato Creek.

“Repair and Replacement Program” means the formalized program for planning, justifying, and tracking activities relating to the repair and / or replacement of Equipment parts, subsystems, and related items generally costing more than \$ 10,000 per part or subsystem. This program is funded separately by the District and has the meaning specified in Schedule 3 hereto.

“RFP Document” means the Request For Proposals issued by the District on May 5, 2009 for the Operations, Maintenance and Management Services for the District Wastewater Treatment Plant.

“Rolling Stock” means vehicular Equipment included in the Facility and described in Schedule 12.

“Safety and Security Plan” has the meaning specified in Schedule 3 hereto.

“SCADA” means the supervisory control and data acquisition system at the Facility.

“Schedule(s)” mean(s) the schedule(s) attached to the Agreement, which together with the Agreement and the Appendices attached thereto constitute the entire Agreement with respect to the operations, maintenance, and management of the Facility.

“Service Fee” means the annual amount payable to the Company by the District for the Services, exclusive of the Pass Through Cost reimbursements as described in Schedule 13 and 14 hereto.

“Services” means the operations, maintenance, and management of the Facility to be provided by the Company in accordance with the terms and provisions of the Agreement.

“Site” means the Facility together with the real property located in Novato, California on which the Facility is situated.

“Sludge” means the same as Biosolids.

“Staffing Plan” has the meaning specified in Schedule 3 hereto.

“State” means the State of California and all its relevant administrative, contracting and regulatory agencies and offices.

“Subcontract” means an agreement between the Company and a Subcontractor, or between two Subcontractors, as applicable.

“Subcontractor” means every person (other than employees of the Company) employed or engaged by the Company or any person directly or indirectly in employed or engaged by the

Company (including every subcontractor of whatever tier) whether for the furnishing of labor, materials, equipment, supplies, services, or otherwise.

“System” means the District wastewater treatment system, including any and all Capital Improvement(s) and modifications to the System during the Contract Term, but excluding the wastewater Collection System, capital planning, policy development, long range and service area planning, the setting of customer rates and charges, meter reading, billing and collection.

“Termination for Convenience” has the meaning specified in Subsection 5.13 hereof.

“Training Plan” has the meaning specified in Schedule 3 hereto.

“Uncontrollable Circumstances” means any act, event or condition to the extent that it impacts the cost of performance of or materially and adversely affects the ability of either party to perform any obligation under the Agreement (except for payment of obligations), if such act, event or condition, in light of the circumstances known or reasonably believed to exist at the time, is beyond the reasonable control and is not a result of the willful or negligent act, error or omission or failure to exercise reasonable diligence on the part of the party relying thereon; provided, however, that the contesting in good faith of the failure in good faith to contest such action or inaction shall not be construed as a willful or negligent act, error or omission or a lack of reasonable diligence of either party.

Subject to the foregoing, such acts, events or conditions may include, but are not limited to, the following:

(a) Inclusions

(1) an act of God (but not including reasonably anticipated weather conditions for the geographic area of the Facility as of the date hereof), landslide, earthquake, fire, explosion, flood, sabotage or similar occurrence, acts of a public enemy, extortion, war blockade or insurrection, riot or civil disturbance;

(2) a Change in Law;

(3) the failure of any appropriate governmental agency or private utility to provide and maintain utilities; preemption, confiscation, diversion, destruction, or other interference in possession or performance of material or services by, on behalf of, or with authority of a Governmental Body in connection with a declared or asserted public emergency or any condemnation or other taking by eminent domain or similar action of any portion of the Facility;

(5) national or local strikes, work stoppages, or labor disputes other than those of the Company’s employees, agents, contractors, or subcontractors;

(6) violations of the District's Industrial Pretreatment Program discharge limits which contain Biologically Toxic Substances or which are of such a quantity and quality so as to cause substantial disruption in the operations or biological activity of the Facility provided that the Company undertakes best efforts to deal with the discharge;

(7) a court order preventing the parties from complying with the terms of the Agreement, provided that such court order is not caused by any wrongful act of either party.

PROVIDED, HOWEVER, none of the following acts, events, or conditions shall constitute Uncontrollable Circumstances:

(b) Exclusions

(1) general economic conditions, interest or inflation rate fluctuations, commodity prices or changes in prices, or currency or exchange rate fluctuations;

(2) changes in the financial condition of the District, the Company, the Project Guarantor, or any of their affiliates or subcontractors;

(3) union work rules that increase the Company's operating cost for the Facility;

(4) any impact of prevailing wage laws on the Company's cost;

(5) the consequence of Company error, including any errors of Company Affiliates or Subcontractors;

(6) failure of any Subcontractor or supplier to furnish labor, services, materials or equipment on the dates agreed to;

(7) strikes, work stoppages or labor disputes of Company's employees, agents, contractors or sub-contractors;

(8) Equipment failure (unless caused by an Uncontrollable Circumstance); or

(9) litigation against the Company.

“Upgrade Project” means the Wastewater Facility Upgrade – Contract B-Novato Treatment Plant Improvements, Project Number 2006-09/2006-10.

“Utility Cap(s)” or “Usage Cap(s)” means the maximum amount of utility and diesel fuel usage for which the District is responsible for direct payment under this Agreement as set forth in Schedule 11. The Company is responsible for the costs of usage above the specified usage amounts of the cap and the Company is responsible for costs, if any, for significant unjustified variations in the usage profiles for utilities established as part of Schedule 11. The Company shall reimburse the District for these excess costs after invoice by the District.

2.0 CONDITIONS PRECEDENT AND NOTICE TO PROCEED

The Company shall commence work on the Commencement Date. The Commencement Date shall be memorialized by the District and Company via a written notice to proceed to Company (“Notice to Proceed”) following the District’s receipt of the items identified in this Section 2. Prior to commencing operations, the Company shall:

- Obtain the required insurance and bonds.
- Develop an operational transition plan for District review and comment.
- Develop a draft customer service and emergency response plan as described in Schedule 3.
- Retain the necessary staff (certified operators meeting California requirements).
- Obtain all necessary governmental, regulatory, and labor approvals required for commencement of operations.
- Sign the Agreement and deliver the Guarantee.
- Deliver to the District a certificate of good standing from the State of California concerning Veolia Water West Operating Services, Inc., holding California State Contractor License Number 866429 and Veolia Water North America Operating Services, LLC, and a letter from counsel to the Company and Project Guarantor as to corporate status, no conflict, no material litigation, and the valid, binding, and enforceable nature of the Agreement. The costs of such opinion letter will be treated as a one-time Pass Through Cost per Schedule 13.

3.0 WASTEWATER TREATMENT PLANT OPERATIONS, MAINTENANCE, AND MANAGEMENT

3.1 Overall Responsibilities

3.1.1 Company Responsibilities

The Company will be responsible for operation and maintenance of the Facility including all operations and maintenance duties required to ensure efficient and effective operation of the Facility. These duties include, but are not limited to:

- 1) operation, maintenance, and phase-out of existing wastewater treatment facilities being replaced with new facilities including the existing Novato Wastewater Treatment Plant, the Ignacio Wastewater Treatment Plant, the Ignacio Equalization Basins, the Ignacio Transfer Pump Station, the Dechlorination Facility, and the sludge pond supernatant return. Company will not be responsible for decommissioned facilities following the Acceptance Date of the Capital Improvement(s) which replace the decommissioned facilities;
- 2) startup, operation and maintenance of the Upgrade Project (new, 7 MGD wastewater treatment facility) to include day-to-day operations and monitoring of the Ignacio Equalization basins and transfer pump station, and the sludge pond supernatant return;
- 3) development and implementation of systems and training to accomplish startup and transition activities as detailed in Schedules 1 - 5;

- 4) preparation of all regulatory reporting documents and supporting information for review and submittal by District;
- 5) performing scheduled maintenance to ensure the long-term efficient operation of Facility infrastructure;
- 6) performing maintenance and repairs as needed on infrastructure components;
- 7) maintaining operations and maintenance records for all infrastructure components;
and
- 8) maintaining the inventory and inventory records for the consumable supplies needed for System operations and maintenance.

The Company shall also have the responsibility to provide the following as part of the basic Service Fee:

- Staff salaries;
- Staff training and travel;
- Staff license expenses;
- Uniform service;
- Safety expenses and supplies
- Staff certification and safety bonuses;
- Office supplies, Company-owned computers and copiers;
- Delivery, postage costs;
- Health and safety supplies;
- Landscape maintenance at the Site;
- SCADA communication expenses;
- Process control laboratory supplies (All permit analysis done by the District)
- Laboratory equipment for process control analysis;
- Chemical expenses;
- Safety equipment purchases;
- General repair and maintenance costs (up to \$10,000 per event);
- Instrumentation and control maintenance costs (up to \$10,000 per event);
- Potable water for the Ignacio site (Novato WWTP water provided by the District);
- Trash hauling;
- Grit and screenings disposal;
- Start up and program establishment costs;
- Miscellaneous small Equipment purchases;
- Cellular telephone and pager expenses;
- Predictive Maintenance tools;
- Trailers as needed for Company.

The operations will be performed to comply with all Applicable Law. The Company shall also be responsible for operating, maintaining, and managing the Facility pursuant to the requirements in this Agreement and all applicable Schedules.

The Company shall, in accordance with this Agreement:

- (1) maintain continuous compliance with Facility NPDES Permit and other applicable permits and regulations;
- (2) allow free and unlimited access to the Facility by the District and/or its representatives;
- (3) troubleshoot and shakedown any Capital Improvements and their operations;
- (4) participate as the operator in the conduct of any Acceptance Tests required to include Acceptance Tests resulting from construction, repair, or process improvements; and
- (5) operate, maintain, and manage the Capital Improvements and the Facility as an integrated system following completion and endorsement of the Acceptance Tests.

The District and its designated agents shall have the right to review and inspect these activities, including the ability to conduct independent verification tests and evaluation. Such activities by the District shall in no way relieve the Company of its responsibilities and obligations under this Agreement.

In addition, Company shall:

- 3.1.1a Upon the Commencement Date, provide John Bailey as the on-site project manager. If John Bailey is no longer able to be the on-site project manager, the District and the Company shall establish replacement candidate criteria in advance of any replacement or search activities. Should the District and the Company not reach agreement on a specific replacement candidate, a mutually acceptable search firm shall be engaged to resolve the disagreement on the project manager candidate. The District shall also have the right to interview candidates for the assistant project manager, operations supervisor and maintenance supervisor positions and provide comments to the Company project manager. The Company shall use its best effort to maintain a stable work force with low turnover particularly in key positions such as the project manager, assistant project manager, operations supervisor, and maintenance supervisor. Management, supervisory, or staff promotions shall not negatively impact Services through vacant positions.
- 3.1.1b Provide 24-hour per day access to the Facility for District's personnel. Visits may be made at any time by any of District's employees so designated by District's project manager. Keys for Facility access shall be provided to the District by the Company. All visitors to the Facility shall comply with the Company's operating, security, and safety procedures.
- 3.1.1c Cooperate with District and any consultants and contractors retained by District for any planning, design, and construction related to the Facility.

- 3.1.1d Cooperate with District and any consultants retained by District for any performance audit of the Services. Provide access to on-site operations information during normal business hours.
- 3.1.1e Except for expendables and incidentals less than five hundred dollars (\$500.00) per item, expendable and incidental materials and supplies (excluding vehicles, computers, telephone, laboratory and safety equipment) purchased by the Company for the provision of Services under this Agreement shall become the property of the District. All items purchased by District purchase orders are the property of the District.

3.1.2 District Responsibilities

The District shall be responsible for activities required to operate and maintain the Collection System and Reclamation Facility, manage and enforce the industrial pretreatment program, outfall repairs and maintenance outside the Facility, provide new sewer connections, perform long term system and area-wide planning, review and authorize expenditures from the District's Repair and Replacement Budget (as described in Section 3.10 below) and review and authorize capital replacements and upgrades for the Facility.

The District shall retain responsibility for the District's Industrial Pretreatment Program ("IPP") and the establishment of rates and rate setting. The District shall provide public financing for Capital Improvements, and, at its discretion, may consider private-sector financing.

In addition, District shall:

- 3.1.2a Provide for all Capital Expenditures. For purposes of this paragraph, "Capital Expenditures" means Capital Improvements, Facility Modifications, and replacement of existing capital equipment.

District shall be notified before any capital equipment is purchased by the Company. District shall have the option of purchasing and owning capital equipment that Company desires to purchase. Any capital equipment provided by Company, at its sole expense, shall remain the property of Company. District shall have the option at any time prior to and at the termination of the Agreement to purchase any capital equipment acquired during the term of the Agreement at its depreciated value. A detailed depreciation schedule shall be provided to District for any and all such equipment within thirty (30) days of its purchase by Company. District and Company will mutually agree upon the life of the asset to be used in the depreciation schedule. If the Agreement is terminated before June 30, 2014, District shall pay Company, on the date of termination, the depreciated value as of the termination date of all equipment purchased by Company. The District shall then own the equipment.

- 3.1.2b Maintain existing Facility permits, certifications, approvals, warranties, guarantees, easements, and licenses that have been granted to District including the NPDES Permit.

- 3.1.2c Pay all property, franchise, or other taxes associated with the Site but specifically excluding any income taxes or personal property taxes of the Company.
- 3.1.2d Make available and, if so requested by Company, transfer title and ownership of the indicated Rolling Stock specified in Schedule 12 in a manner that makes clear that the ownership transfer is not a gift of public funds. Should the Company not request, in writing, the transfer of the indicated Rolling Stock of Schedule 12 within ten (10) days of Commencement Date, the District will dispose of the Rolling Stock and it will not be available for usage by the Company.
- 3.1.2.e Transfer all chemicals inventory (Schedule 12) to the Company for usage at the Facility.
- 3.1.2f District shall be responsible for repair and maintenance of outfalls outside the Facility, unless wrongful act of Company necessitates such repair or maintenance.
- 3.1.2g District shall be responsible for any increased direct costs caused by construction or the impact of such construction on Company's operation excluding the Upgrade Project and related work. Such costs will be paid directly by District or reimbursed to Company and shall not affect either Company's obligations regarding maximum annual direct costs or maximum annual Service Fee.
- 3.1.2h The District shall provide landline telephone connections and service for usage by the Company. District shall be responsible for providing access to a high-speed internet connection.
- This District responsibility and service specified in this Section 3.1.2h does not extend to or cover any Company owned hardware or software and does not include the supervisory control and data acquisition ("SCADA") system hardware and software at the Facility, which are addressed in Sections 3.5 and Schedule 2 - Section 2.2.1 of this Agreement.
- 3.1.2i District shall provide SCADA software upgrades and PC replacements as defined in Schedule 2.

3.1.3 District and Company Cooperation

The District and the Company recognize and acknowledge the importance of a cooperative working relationship in moving forward with the Services and responsibilities of this Agreement. To these ends, Company and District shall work in a cooperative manner and to the extent practical shall make staff available to each other.

3.2 Equipment and Chemical Inventories

The Company's responsibilities with respect to Equipment and chemical inventories are summarized in Schedule 12.

3.3 Preliminary Inspection of Facility by Company

The Company acknowledges it has visited, inspected, and is familiar with the relevant Site and the physical condition of relevance to the obligations of the Company pursuant to this Agreement and that the Company is familiar with all local and other conditions which may be material to the Company's performance of its obligations under this Agreement, and has received and reviewed all information regarding the Site provided or obtained in the course of the procurement process. The Company acknowledges that, based on the foregoing, the Site constitutes an acceptable and suitable condition for the operation, maintenance and management of the Facility and in accordance with the Agreement.

The Company shall be responsible for working with the District to identify the need for and providing inputs to the District and District Consultants for the design, construction, and operation for all necessary Capital Improvements required to meet potential future effluent limits. This includes large scale repairs of capital infrastructure and the replacement of capital components, as well as all capital requirements or Facility Modifications necessary to achieve compliance with the requirements of the NPDES Permit.

3.4 SCADA System

The existing treatment facility has a SCADA system based on Wonderware software that is integrated with the District's pump stations. The District will functionally segregate the pump station data and alarms from screens associated with the existing plant data. Alarm summary, history and events will also be separated but contained within the same application.

The District requires that a SCADA system be utilized for the new treatment facility. The Company will be responsible for the operation, maintenance, and management of this new SCADA system. The Company will also be responsible for ongoing integration of the new SCADA system with Facility operations and maintenance, including the associated staff training required and integration with the CMMS and laboratory information systems. The Company will be responsible for modifying and/or reconfiguring the SCADA system to meet on-going requirements throughout the term of the Agreement. Any such modifications or reconfigurations shall be submitted to the District for authorization. Proper documentation, startup and Acceptance by the Company and the District of any and all modifications or reconfigurations shall be part of this responsibility. Any Company requests for modification or upgrade to this SCADA system that will improve efficiency and/or provide cost savings are encouraged to be submitted to the District for review and approval. Company is responsible for troubleshooting, repairing and replacing Facility SCADA Programmable Logic Controls (PLC) components. Company is responsible for maintaining TechConnect support for Quantum class PLCs. Company is responsible for maintaining the annual Facility Wonderware software support. Company is responsible for all maintenance of Facility SCADA hardware and Dell support agreements.

Systems for “Read Only” access to the SCADA system shall be provided for four (4) District staff at their office locations: 1) District Manager-Engineer; 2) Deputy Manager-Engineer; 3) Laboratory Manager; 4) contract administrative manager.

3.5 Performance Standards and Regulatory and Reporting Requirements

The Company’s responsibilities for performance, regulatory compliance, and reporting requirements are set forth in Schedules 1, 2, 3, and 8.

3.6 Emergency Plans and Safety Provisions

The Company’s responsibilities for emergency plans and safety provisions are set forth in Schedule 3.

3.7 Personnel

As determined by the Company, the Company shall follow the process and provisions of the Memorandum of Agreement (MOA) attached as Appendix C to this Agreement and signed by the Company, District, Teamsters Local 315 (the “Union”) and certain specified District employees named in Appendix C and offer employment to those specified individuals provided the employee passes a routine employment physical exam for drug screening and possess a valid California driver’s license. Any District employee offered employment will be offered employment by the Company consistent with the MOA Agreement of Appendix C and the transfer of accrued sick leave as detailed in Appendix C. Notwithstanding the foregoing, the District recognizes that the Union will be the exclusive bargaining representative of the individuals specified in Appendix C after these individuals become employees of the Company, with the right to negotiate terms and conditions of employment, including pay and benefits, on behalf of the specified individuals. Accordingly, and notwithstanding the MOA requirement that the Company provide “the same or better wages” and “a substantially equivalent or better package of benefits” as the specified individuals currently receive, it shall not violate any agreement between the Company and the District, including the MOA, if the Company and Union in the future execute a collective bargaining agreement, following good faith negotiations and ratification by the represented employees, that provides different pay or benefits from what the individuals specified in Appendix C currently receive.

Within thirty (30) days of contract finalization, the Company shall conduct one or more Company orientation and career planning workshops at the Company's sole cost and expense for interested District employees. The workshop(s) shall orient said employees to Company management, operation and maintenance policies and approaches, its plan for providing such Services under this Agreement, its career planning policy, its hiring program and related criteria.

Company operations shall include ongoing training and development provisions for then existing personnel. Employees may be terminated for cause or work related performance at any time. Additional details about personnel and training requirements are set forth in Schedule 3.

The Company shall prepare and submit a Staffing Plan, identifying job descriptions, salary ranges and certification requirements for on-site staffing as further set forth in Schedule 3, Section 3.2. It is anticipated that this Staffing Plan will be updated and followed during the term

of this Agreement unless otherwise modified through mutual agreement as an amendment and Agreement scope change.

The District encourages staff interchange between the District and Company as peaks and valleys occur in the work load of either entity as related to the scope of services of the Company and the District. If, as the result of Equipment malfunction or operator error, within the responsible Services of the Company, an emergency arises that requires the District to augment Company staff and/or Subcontractors to provide a timely and comprehensive response to the incident, the District and the Company shall mutually agree to cooperate and, the District shall invoice the Company for time and materials at the then current District billing rates. The Company has the option to hire a Subcontractor as it sees fit to remedy the emergency without District participation. All wastewater treatment plant wastewater upsets and / or overflows that must be responded to by the District will be charged back to the Company.

Both the District and the Company may use the services of the other for emergency or planned labor or material needs as staff is available. The costs for such service shall be billed to the other on a time and material basis at an agreed-upon billing rate or swap in shared labor hours.

3.8 Acceptance Test

Following completion of any Capital Improvements, the Company shall cooperate with the District in performing contract acceptance testing and thereafter conduct the functional Acceptance Test of the Capital Improvement(s) as described in Schedule 15 using the written functional Acceptance Test plan mutually developed with the District for the specific Capital Improvement(s) to be accepted. Upon successful completion of the contract acceptance by District, and written acceptance by the Company and the District of the functional Acceptance Test with respect to any Capital Improvement, the Company shall assume responsibility for the performance and maintenance of the Capital Improvement. Changes in the Service Fee and Pass Through Costs justified by the Capital Improvement shall be documented during the functional Acceptance Test and the Service Fee and Pass Through Costs shall be adjusted to reflect these costs, on a mutually agreeable basis following the protocol of Sections 4.1 and 4.2 of this Agreement.

For the initial period following any Capital Improvement involving a wastewater treatment unit being placed into service and operation, the Company shall be responsible for best efforts in achieving regulatory compliant performance of the wastewater treatment processes associated with the Capital Improvement of the new or reconstructed wastewater treatment unit. For biological treatment units processes associated with such Capital Improvement or new or reconstructed wastewater treatment unit, the initial best efforts time period shall be ninety (90) days. For non-biological wastewater treatment processes associated with such Capital Improvement or new or reconstructed wastewater treatment unit, the time period shall be thirty (30) days. At least thirty (30) days prior to the placing of any new or reconstructed wastewater treatment unit into service, the District shall provide notes to both the Regional Water Quality Control Board and the Company of the schedule for placing such treatment unit into service.

The District and the Company shall both be responsible to meet all regulatory requirements as provided for in California Water Code § 13385(j)(1)(D). The indicated thirty

(30) or ninety (90) day time periods shall provide the Company with the opportunity for startup operation of the Capital Improvement(s) so as to satisfy the Company and the District with regard to functional Acceptance by the Company. In any case, at the end of the thirty (30) day or ninety (90) day time period as applicable, the Company shall be responsible to meet all regulatory requirements unless the Company can present to the District documentation and justification for an exception based on the Capital Improvement or new or reconstructed wastewater treatment unit 's inability to perform because of design and / or construction related issues.

3.9 Maintenance

The Company shall perform all maintenance as specified by the Equipment manufacturer, (or alternate procedures if the Company demonstrates to the satisfaction of the District that alternate maintenance standards are in the best interest of the District) consistent with industry standards and the standards provided in the Schedules. In the case of newly installed Equipment, the Company will cause such maintenance to conform with Equipment warranty provisions so that requirements for continued warranty coverages are maintained. The maintenance function will also be structured so as to provide for potential integration in a seamless manner with an asset management system should the Company and the District proceed forward with such a system during the term of this Agreement.

The Company shall perform all routine, Preventive, Predictive and ongoing Maintenance of the Facility consistent with industry standards such that the facilities and structures are maintained at a level adequate for the efficient, long-term reliability and preservation of the capital investment, including maintaining the applicable buildings and structures in an aesthetically attractive and clean condition.

The Company shall be responsible for providing all maintenance of the machinery, Equipment, systems, structures and improvements constituting the Facility during the Term of the Agreement in compliance with the operations and maintenance plan. The District shall have the right to conduct inspections of the Facility at the District's sole expense at any time in order to assure that the Facility is being properly maintained in accordance with the Agreement.

Both the Company and the District acknowledge the importance of accurate and calibrated influent and effluent metering systems. Consistent with industry standards and practices, the Company shall maintain the influent and effluent metering systems as part of the CMMS activity. Annually, the Company and the District shall mutually select an independent third party to calibrate and certify the accuracy of the meters. Consistent with the requirements of Schedule 2, the Company and the District further acknowledge the need to correlate the readings from new meters located at new locations with the historic data and readings reported by the meters being replaced as part of the Facility Capital Improvement program currently underway.

The Company shall utilize a CMMS which documents Equipment inventory, condition, maintenance and repair activities, and critical spare parts. The Company shall also maintain records of performance of maintenance items, and maintenance backlog (items, applicable skills sets and hours) for the Facility.

The Company shall maintain the Facility and sites in good working order and repair and in a neat and orderly condition. The Company shall provide or make provisions for all labor, materials, and equipment necessary for the normal operation and maintenance of the Facility, including the required Predictive and Preventive Maintenance requirements of the Operation and Maintenance Plan.

If the Company fails to perform the required Predictive and Preventive Maintenance as specified herein and/or fails to provide the established record keeping and documentation, the District, after written notification to the Company and cure period as discussed in Section 5.8.2 of this Agreement, shall have the right to withhold that portion of the Service Fee for such activities. If the deficiencies are not corrected within the cure period, the dollar amount withheld from the Service Fee shall be the District's best estimate of the costs necessary for an independent, third party to correct the noted deficiencies.

Should Equipment failures and / or the need for replacement occur and the Company cannot demonstrate performance of all required maintenance activities per the CMMS, the Company shall be responsible for the costs of the repair or replacement.

3.10 Repair and Replacement Budget

The District recognizes that additional repair and replacement capital spending for the old (existing) Facility may be necessary until such time as it is replaced by the Upgrade Project. As such, the procedures and responsibilities as specified below are established to address the time period when old Facilities remain in service (Proposal A) and then revised procedures and responsibilities for the subsequent time period (Proposal B) when the Upgrade Project is near completion and the new Facilities are on line and the old Facilities are no longer in service.

a) For Proposal A time period

Old facilities: All repairs and replacements required and authorized for the existing Facility will be funded by the District as specified below:

- 1) Any non routine (i.e. not PM related) repair and replacement expenses will be funded by the District as outlined below:
 - i) The District shall establish a "Repair and Replacement Budget" to be used for repair and replacement expenditures as submitted by the Company and authorized by the District.
 - ii) The Repair and Replacement Budget shall only be accessed with District approval and authorization following documented submittals by the Company to the District.
 - iii) At new plant startup, any unused funding remaining in the major Repair and Replacement Budget shall revert to the District and ratepayers for funding of "pay as you go" capital projects as determined by the District.

New facilities: The Service Fee shall include all maintenance, repairs, and replacements for items costing less than ten thousand dollars (\$10,000.00) for new facilities and Equipment. Any repairs that cost more than ten thousand dollars (\$10,000.00) for new Equipment will be submitted to the District and as authorized by the District funded from the Repair and Replacement Budget established by the District.)

b) For Proposal B time period (new treatment plant)

As part of the Company's Proposal B Service Fee, the Company shall be responsible for provision of all maintenance, repairs, and replacements for items costing less than ten thousand dollars (\$ 10,000.00) for new Equipment as it comes on line. For repairs and replacements costing more than ten thousand dollars (\$10,000.00) (i.e. not routine Preventive Maintenance related), the Company shall submit these items with written explanation and justification to the District for review and, as authorized by the District, these items shall be funded from the District's Repair and Replacement Budget. The District's authorization shall not be unreasonably withheld. As part of the Company's monthly reporting requirements to the District, the District shall receive from the Company a summary of any and all expenditures for repair and replacement. Expenditures under ten thousand dollars (\$10,000.00) shall be the responsibility of the Company.

This section of the Agreement shall be understood to be in accord with the proposed O&M Plan under Schedule 3.

No funds shall be disbursed from the Repair and Replacement Budget without the prior written consent of the District. The Company, on a monthly basis, shall submit to the District a report on expenses that should be reimbursed out of the Repair and Replacement Budget and, at its option, may request the District to pay such expenses directly from the Repair and Replacement Budget.

To the extent that the Company determines that it is necessary to make repair and replacement expenditures in excess of amounts in the Repair and Replacement Budget for any Fiscal Year, the Company shall submit a written proposal to the District, which proposal shall be considered by the District and the Company prior to making such expenditure. Funding for any such expenditure shall be reviewed and considered by the District.

During the Contract Term, the Company shall recommend and perform activities to be paid for from the Repair and Replacement Budget as follows:

- 1) The Company shall determine the necessity for performing any major repair and replacement activities payable from the Repair and Replacement Budget. Maintenance activities shall continue to be paid for by the Company.
- 2) The Company shall prepare written recommendations for all major repair and replacement activities to be paid from the Repair and Replacement Budget that the Company determines may be required to keep the Facility in a state of good operating

order, which recommendations shall include the approximate cost of completing such activities.

- 3) The District, within thirty (30) days of the receipt of such written recommendations, shall either approve or deny the Company's recommendation in writing, provided that if the District fails to notify the Company, in writing, within such thirty (30) day period of its decision, such recommendation shall be deemed denied.

In the event that the District shall approve the Company's recommendation, and in the event the cost of the major repair or replacement activity, plus the total aggregate cost of all such activities previously incurred during any Fiscal Year, does not exceed the total amount in the Repair and Replacement Budget, the District shall proceed with the recommended work, and it shall be paid for from such Budget.

In the event the District shall approve the Company's recommendation, but the cost of the major repair or replacement activity, plus the total aggregate cost of all such activities previously made during the current Fiscal Year, exceeds the total amount then in the Repair and Replacement Budget, the District shall be responsible for providing the additional funding.

During the period of continued operation of the existing Facility, in the event that the District does not approve a major repair or replacement item recommended by the Company, the District shall indemnify and hold the Company harmless from any damages or liability suffered by the Company as a result of the District's denial. The Company shall not be responsible for providing additional funds beyond those budgeted, provided the Company has performed its contractual obligations. This indemnification provision applies only to the time period when the existing Facility remains in operation.

4.0 FINANCIAL REQUIREMENTS

4.1 Service Fee

Commencing with the first Billing Month, and for each Billing Month thereafter during the Term of the Agreement, the District shall pay the Company a Service Fee for the Services provided by the Company. The Service Fee shall be paid monthly in accordance with Schedule 14. The Service Fee shall be adjusted annually for CPI changes using the methodology established in Schedule 8. The Service Fee includes all compensation to the Company for managing, operating, and maintaining the Facility. Except for additionally authorized work as specified in Section 8 herein, including Repair and Replacement Budget (as described in Section 3.10 above) expenditures or authorized work resulting from the impacts of complying with future changes in laws, or adjustments for operational costs of Capital Improvements other than those associated with the Upgrade Project, or any adjustment for changes in flows or loadings as set forth in Schedule 8, or any cost saving or performance excellence incentive payments, the Company shall not be entitled to any additional compensation.

4.2 Pass Through Costs

Schedule 13 lists the Pass Through Costs. Pass Through Costs for any Billing Month shall be the sum of the expenses set forth in Schedule 13 hereto which were incurred by the

Company during such Billing Month or in the case of utilities were utilized by the Company during the Billing Month. Such costs shall be actual costs for usage of the identified items paid by the Company to third parties without additional mark-up by the Company and those costs incurred and paid by the District which are the responsibility of the Company pursuant to the Agreement (electricity, natural gas, and diesel fuel). The costs for electricity, natural gas, and diesel fuel shall be paid by the District based on the quantities used by the Company, for amounts up to the maximum usage amounts set forth in Schedule 13. Usage beyond the Usage Caps (“Excess Pass Through Costs”) shall be paid by the Company, subject to the limitations set forth in Section 4.6 hereof. Schedule 13 shall be revised by the Company and the District for new capital Equipment, new regulations and long term changes in flows and loadings and the Usage Caps updated consistent with these changed conditions.

4.3 Change in Law

Changes in Law after the Contract Date that result in a change in scope of Services for the Company, will be eligible for an increased or decreased Service Fee based upon the costs (Service Fee or Pass Through) necessary to satisfy the Change in Law condition. The Company shall develop the cost justification for review and acceptance by the District. Any such adjustments shall be subject to the provisions of Section 4.6 hereof.

4.4 Range of Operations and Compensation

The Service Fee shall be based on treating all wastewater within the ranges set forth in Schedule 2 for flow and loadings. If the influent wastewater quantity or characteristics increase or decrease from the established baseline of Schedule 2, on a twelve (12) month moving average basis, the Company and the District shall negotiate in good faith to adjust upward or downward the Service Fee per the adjustment methodology as summarized in Schedule 8. Any such adjustments shall be subject to the limitations on Minimum Compensation and Maximum Compensation set forth in Section 4.6.

4.5 Sharing of Cost Savings and Performance Excellence Incentives

4.5.1 Cost Savings

During the operating period, the Company may suggest to the District Capital Improvements, and/or modified operating procedures for the Facility for more cost-effective operation and maintenance of the Facilities that may reduce the Service Fee, or Pass Through Costs. Such suggestions, including the costs, benefits, and anticipated net savings shall be provided in writing to the District.

If the District approves such Capital Improvements or modifications, and such Capital Improvements or modifications result in a net savings, the Company shall be entitled to [sixty percent (60%)] of the net savings, and the District shall be entitled to [forty percent (40%)] of the net savings after recovery of the documented costs for the Capital Improvements. Such share of the net savings shall be either a one-time payment to the Company, or an annual payment, depending on the nature of the modification and the resulting net savings, as mutually agreed by the District and Company. Any such payments shall be subject to the limitations on minimum compensation and maximum compensation set forth in Section 4.6 hereof.

4.5.2 Performance Excellence Incentives

Consistent with the District's objectives of an efficient and effective wastewater utility, incentives for performance excellence are hereby established by the District. The performance excellence incentives are detailed in Schedule 14 of this Agreement. Any such payments shall be subject to the payment limitations of IRS Revenue Procedure 97-13 provisions.

4.6 Adjustments to Comply with IRS Revenue Procedure 97-13

The District has previously obtained tax exempt financing to fund Facility construction/upgrade costs. The District has covenanted with its lenders that it will take no action that would adversely affect the tax-exempt status of interest on the financing. Therefore, this Agreement is intended to comply with IRS Revenue Procedure 97-13 and any successor amendment hereto (hereinafter 97-13). It is intended that this Agreement comply with Section 5.03(2) of 97-13 and that at least 80 percent of all compensation paid to the Company constitute a periodic fixed fee as defined in 97-13. In this regard, the District and the Company agree to limit any and all non-periodic fixed fees payable to the Company (hereinafter "Variable Fees") in any year pursuant to the Agreement to an amount not in excess of twenty percent (20% of) the Service Fee (as adjusted for the CPI Service Fee Escalator) payable for that year. For this purpose, Variable Fees include, but are not limited to, adjustments for operational costs of Capital Improvements other than those associated with the Upgrade Project and adjustments for changes in flows or loading under section 4.1 and Schedule 8, increased payments for changes in law pursuant to section 4.3, sharing of cost savings pursuant to section 4.5.1 and performance excellence incentives and other incentives pursuant to section 4.5.2 and Schedule 14. Notwithstanding the above, Company shall be entitled to receive any and all compensation otherwise due to it, to the extent the same can be accomplished within the limitations and requirements of IRS Revenue procedure 97-13.

5.0 LEGAL AND BUSINESS REQUIREMENTS

5.1 Term

The term of the Agreement shall be five (5) years with two (3) year extension options at the District's unilateral option as specified in Schedule 16 of this Agreement and incorporated herein by reference, subject to the District's right to terminate under Section 5.5 of this Agreement. As specified in Schedule 16, the extension option shall be provided at the then-existing Service Fee price or at an alternate price as mutually determined by the District and the Company consistent with Schedule 16.

5.2 Indemnification and Liability Cap

5.2.1 Liability Indemnification to be Provided to the District

Company shall indemnify, defend at Company's expense with counsel reasonably acceptable to the District, and hold harmless the District and its officials, commissioners, officers, employees, agents, and volunteers ("District Indemnitees") from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to property, or any violation of any federal, state, or

municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct or negligent acts or omissions of Company or its employees, Subcontractors, or agents, provided, however, that Company shall be liable only for that percentage of total damages that corresponds to its percentage of total negligence or fault. The foregoing obligation of Company shall not apply when: (1) the injury, loss of life, damage to property, or violation of law arises from the active negligence or willful misconduct of the District Indemnitees and (2) the actions of Company or its employees, Subcontractor, or agents have contributed in no part to the injury, loss of life, damage to property, or violation of law. It is understood that the duty of Company to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by District of insurance certificates and endorsements required under this Agreement does not relieve Company from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Company acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

The Company shall reimburse District Indemnitees for all expenditures, including reasonable attorney's fees, incurred by District Indemnitees to enforce its right to indemnification pursuant to the terms hereunder.

The Company is responsible for safety related to its operation of the Facility and other responsibilities under this Agreement. The Company shall prepare and provide an annual safety plan to the District. The District will have the plan reviewed by a certified safety engineer and have the safety engineer conduct an annual safety audit. Except for any capital expenses and / or Facility Modifications and / or additions identified by the review, the Company will be responsible for all operational costs and expenses for all corrective actions to achieve a satisfactory review and audit. The District shall remain responsible for all Capital Expenditures as a required result of a safety audit. The Company shall pay the costs of defense and indemnify the District Indemnitees for any and all claims related to any worker's compensation type injury, however pleaded against the District brought by Company employees or others (excepting District employees) related to the Company's performance of this Agreement.

A District Indemnitee shall promptly notify the Company of the assertion of any claim against it for which it is entitled to be indemnified hereunder, shall give the Company the opportunity to defend such claim, and shall not settle the claim without the approval of the Company. These indemnification provisions are for the protection of the District Indemnitees only and shall not establish, of themselves, any liability to third parties.

5.2.2 Liability Cap

Notwithstanding anything contained in Section 5.2.1 hereof to the contrary, the liability of the Company pursuant to Section 5.2.1 hereof or under this Agreement shall not exceed thirty million dollars (\$30,000,000) (the "Liability Cap") cumulatively for the Contract Term; provided, however, that the foregoing limitation shall be reduced by any amounts paid to the District by or on behalf of the Company, Guarantor or its insurers with respect to claims of the District under Section 5.2.1 hereof or under this Agreement, and provided, further, however, that in no event shall any fines or penalties caused in whole or in part by Company's actions count

toward the Liability Cap. The provisions of this Section shall survive termination of this Agreement.

5.2.3 Liability Indemnification to be Provided to the Company

The District agrees that, to the extent permitted by Applicable Law, it shall protect, indemnify, defend and hold harmless the Company and its Affiliates and their respective officers, directors, shareholders, agents and employees (the “Company Indemnitees”) from and against all claims for Loss and Expense in any lawsuit, including appeals, for personal injury to, or death of, any person, or loss or damage to property arising out of (1) the active negligence, wrongful conduct or other fault of the District or any of its, officers, employees, agents, representatives, contractors or subcontractors in connection with its obligations or rights under this Agreement, or (2) the performance or nonperformance of the District's obligations under this Agreement.

The District shall not, however, be required to reimburse or indemnify any Company Indemnitee for any Loss-and-Expense due to (a) the negligence or other wrongful conduct of any Company Indemnitee or (b) due to any Uncontrollable Circumstance or any act or omission of any Company Indemnitee judicially determined to be responsible for or contributing to the Loss-and-Expense, and the Company Indemnitee whose negligence or other wrongful conduct, act or omission is adjudged to have caused such Loss-and-Expense shall be responsible therefore in the proportion that its negligence or wrongful conduct caused or contributed to the Loss-and-Expense.

5.2.4 Ongoing EPA Investigation/CEQA Claim

In light of the currently ongoing EPA investigation into potential violations of the Clean Water Act at the District alleged to have occurred in 2007 (the “EPA Matter”), clarification as to the respective responsibilities of the District and its employees for any resulting costs or penalties which may arise as a result of the EPA Matter investigation are provided herein. Although the exact nature of the issues being investigated in the EPA Matter is not known, it is understood that the investigation deals with alleged activities occurring prior to the effective date of this Agreement between the District and the Company.

Additionally, the District and Company have been advised of the potential for a claim involving compliance with the procedures in the California Environmental Quality Act related to the District’s solicitation and authorization of the Agreement (the “CEQA Matter”). It is understood that the claims potentially raised in the CEQA Matter involve the District’s actions and not those of the Company.

There is no indication that the EPA Matter or the CEQA Matter, or investigations related thereto, deal with any conduct of the Company. The District therefore accepts responsibility and liability for additional Fees and Costs and Loss and Expense costs, if any were to occur during the Contract Term, arising directly from the EPA Matter or CEQA Matter, or the incidents which may be the subject of the aforementioned matters. The additional Fees and Costs and Loss and Expense contemplated by this paragraph may include any fines or penalties imposed on the District, costs resulting from responding to enhanced regulatory oversight, modified NPDES conditions, Capital Improvements, increased monitoring or other operational costs resulting from the EPA or CEQA Matter.

The District shall also be responsible for indemnifying, defending and holding Company harmless from all Loss and Expense and Fees and Costs reasonable legal and consulting costs incurred by Company (subject to reasonable Cost Substantiation), if any, arising directly from the EPA Matter or the investigations or claims related thereto and any regulatory or legal actions taken by a federal agency as a result of the EPA Matter investigation, unless such Fees and Costs or Loss and Expense costs are caused by any wrongful act of Company occurring after the Contract Date which directly relate to the EPA Matter.

5.2.5 No Consequential Damages

In no event shall either party hereto be liable to the other or obligated in any manner to pay to the other any consequential damages, or similar damages based upon claims arising out of or in connection with the performance or non-performance of its obligations or otherwise under this Agreement, or any negligent misrepresentation made in this Agreement, whether such claims are based upon contract, tort, negligence, warranty or other legal theory. Consequential damages are those losses that do not flow directly and immediately from an injurious act, but that result indirectly from the act, as defined in Black's Law Dictionary.

5.3 Dispute Resolution

To the extent the parties cannot, after good faith attempts, resolve any controversy or dispute that may have arisen under the Agreement, either party, to the extent its interests are adversely impacted, may refer the matter to mediation. If despite the good faith efforts of the parties to resolve the dispute, and mediation does not conclude with a resolution of the dispute, either party may refer the matter to alternative dispute resolution as provided below.

5.3.1 Negotiation

The District and the Company agree, prior to invoking any other method of dispute resolution as provided in this Agreement, first to engage in good faith negotiations regarding any dispute. Either party may invoke good faith negotiations by written notice to the other, and, upon receipt of such written notice, said negotiations shall commence forthwith. If the dispute has not been resolved by mutual agreement within seven (7) calendar days of the commencement of negotiations, either party may refer the dispute to mediation as provided below.

5.3.2 Mediation

In the event that any dispute cannot be resolved through negotiation, either party may invoke the services of a mediator to conduct mediation of the dispute by giving written notice to the other of its intent to invoke mediation, which notice shall include a brief but detailed description of the dispute, including the relief requested. Within fifteen (15) days of such notice, the parties shall agree upon a disinterested third party mediator, who shall fix a time and place for the mediation, which date shall not be later than fourteen (14) days from the date of the receipt of such notice, and shall give the parties at least five (5) business days written notice of the initial mediation session. In the event that the parties cannot agree on a mediator within fifteen (15) days of such notice, either party may request a list of three (3) disinterested mediators from JAMS, to be provided to both parties. Each party shall then have the right to strike one mediator from the list of three (3), and the parties agree that the remaining mediator

shall conduct the mediation. Such mediator's failure to conduct the mediation within the time limits provided in this Section 5.3.2 shall not relieve either party of participating in good faith in the mediation. The mediator shall meet with the parties until either (a) the dispute is resolved or (b) the mediator decides that further meetings will not likely result in a resolution by agreement. All costs and expenses related to the mediation shall be shared equally between the District and the Company. If the dispute has not been resolved by mediation within forty-five (45) days of the written notice convening such mediation, either party may refer the dispute to arbitration on technical disputes as provided below or institute formal legal proceedings on the dispute.

5.3.3 Arbitration

All disputes arising out of or relating to this Agreement with the exception of contract termination disputes, payment of major fines on penalties and adequacy of maintenance issues upon termination which have not been resolved by negotiation or mediation as provided above, shall be decided by binding arbitration in accordance with California Code of Civil Procedure Section 1280 *et seq.* (the "Act"). Arbitration proceedings will be determined in accordance with the Act and the then-current JAMS Streamlined Arbitration Rules.

The demand for arbitration shall be filed in writing with the other party to the Agreement and with JAMS or another agreed-upon arbitration provider. A demand for arbitration shall be made within reasonable time after the dispute has arisen, and in no event shall it be made after the date when institution of legal or equitable proceedings would be barred by the applicable statute of limitations. The party filing a notice of demand for arbitration must assert in the demand all disputes then known to that party on which arbitration is permitted to be demanded.

The Parties involved in the dispute shall seek to agree on a mutually acceptable provider organization for administration of the arbitration proceeding. If the parties are unable to agree within 20 days after delivery by a Party of the demand for arbitration, the arbitration shall be administered by JAMS and conducted in Marin County, California. If JAMS is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, the District may designate another arbitration organization with similar procedures to serve as the provider of arbitration.

All claims shall be determined by one arbitrator. The arbitrator shall have at least five (5) years direct experience with environmental remediation at solid waste facilities and shall be independent of, and unaffiliated with, either party (and shall not ever have been an employee of any party, under contract with any party in the past five (5) years or acted as an arbitrator for any party within the past five (5) years). If the parties are unable to select an arbitrator within twenty (20) days after the provider organization for administration of the arbitration proceeding has been determined, the organization administering the arbitration shall select a qualified arbitrator from its panel.

The arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within forty-five (45) days of commencement and, the decision of the arbitrator shall be issued within forty-five (45) days of the close of the hearing. The parties shall have the right to such discovery as permitted by California Code of Civil Procedure §1283.05. The arbitrator shall provide a concise written statement of the reasons for the decision. The

arbitration decision may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.

By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury as permitted by Law in respect of any claim. **WHETHER OR NOT THE CLAIM IS DECIDED BY ARBITRATION, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS SETTLEMENT AGREEMENT IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW WITH THE EXCEPTION OF CONTRACT TERMINATION DISPUTES, PAYMENT OF MAJOR FINES ON PENALTIES AND ADEQUACY OF MAINTENANCE ISSUES UPON TERMINATION.**

Any of the sides involved in the arbitration shall evenly split the cost of any arbitration. Any monetary award resulting from the arbitration shall, as appropriate, include interest owed on amounts due, with interest as permitted by applicable law.

The parties shall continue to perform services under the Agreement, without interruption or slowdown, pending resolution of any dispute(s), unless the matter at issue precludes such continued activity until resolved. This Section shall survive termination of the Agreement.

5.3.4 Formal Legal Proceedings

For any dispute involving contract termination, payment of major fines on penalties and adequacy of maintenance issue upon termination, either party may institute formal legal proceedings for resolution of the dispute. Other matters may be excluded from formal legal proceedings by mutual agreement of the parties, but either party shall have all rights under law and equity with respect to all matters not subject to binding arbitration.

5.4 Meet and Confer, Breaches, and Defaults

5.4.1 Request to Meet and Confer

If any problem occurs that materially affects this Agreement or a Party's ability to perform under this Agreement, either Party can send notice describing the problem and requesting a meet and confer. The Parties may choose to meet in person or by teleconference. The meet and confer process is intended to be a prerequisite to sending a notice of default. If either Party does not agree to the meet and confer, does not appear at the meet and confer meeting, or if the Parties are not able to correct the performance issue or solve the problem within a reasonable time after the meet and confer, the aggrieved Party may send a notice of default.

Notwithstanding the above, there is no requirement that the meet and confer process be used for a failure to pay, or for urgent matters of public health or other matters requiring immediate resolution.

5.4.2 Breaches

5.4.2(a) Definition. A breach is a material failure to perform any of the obligations conferred by any provision of this Agreement.

5.4.2(b) Notice of Breach. Either Party shall promptly notice the other Party regarding the occurrence of a breach as soon as such breach becomes known to the noticing Party. Such notice shall be given verbally followed immediately by written notice.

5.4.2(c) Cure of Breach. District and the Company shall begin cure of any breach, if applicable, as soon as possible after it becomes aware of its breach. Upon giving or receiving verbal notice of a breach, District or the Company shall proceed to cure such breach, if applicable, as follows:

(1) Immediately, if the breach is such that in the determination of either the Company or the District, the health, welfare or safety of the public is endangered thereby, unless immediate cure is impossible in which event the Party required to cure shall notify the other Party, and the other Party may seek substitute services.

(2) Within the cure period provided below, if applicable, of giving or receiving notice of the breach; provided that if the nature of the breach is such that it will reasonably require more than the cure period, if applicable, to cure, District or the Company shall not be in default so long as District or the Company promptly commences to cure its breach, secures written agreement from the other Party to extend the cure period, if applicable, and provides the other Party, no less than weekly, written status of progress in curing such breach, and diligently proceeds to complete same. No cure right shall attach to certain breaches unless as specified in Section 5.5 below.

5.4.2(d) Remedy of Breach, Other Remedies. The Parties shall be entitled to all available monetary or equitable remedies, including specific performance and injunctive relief.

5.5 Default

5.5.1 Events of Company Default.

Each of the following breaches, if uncured after the applicable cure period, if any, or a repeated pattern of any of the following, shall constitute an event of default by the Company:

(a) Failure or refusal of the Company, following a notice and cure period of thirty (30) days, to timely perform any material obligation under the Agreement, unless such failure or refusal is clearly recognized, justified and excused by the terms and conditions of the Agreement.

(b) Failure of the Company, following a notice and cure period of thirty (30) days to pay amounts owed to the District under the Agreement, as and when they become due and owing.

(c) If the Company or Project Guarantor's becomes insolvent, unable, or unwilling to pay its debts, or upon listing of an order for relief in favor of Company in a bankruptcy proceeding, or upon a bankruptcy, winding up, reorganization, insolvency, arrangement, or results of a similar proceeding instituted by or against the Company, or Project Guarantor. A thirty (30) day cure period shall apply to such an event.

(d) The continued default of the Project Guarantor under the provisions of the Guarantee or termination of the Guarantee following a thirty (30) day notice and cure period.

(e) Failure to operate or the abandonment of the entire Facility necessary for the proper operation thereof for one (1) or more days without prior notice and consent of the District. No cure period shall apply to such a failure.

(f) Following a thirty (30) day notice and cure period, failure to otherwise comply with Applicable Law in any Contract Year in which non-compliance for ten (10) cumulative days has occurred.

(g) Following a thirty (30) day notice and cure period, Company's failure to comply with requirements for Predictive and Preventive Maintenance under Section 3.9 of this Agreement.

(h) If Company practices, or attempts to practice, any fraud or deceit upon District. No cure period shall apply to such an event.

(i) If Company fails to provide or maintain in full force and effect the Insurance, or to provide indemnification coverage as required by this Agreement. No cure period shall apply to such an event.

(j) If Company falls out of full regulatory compliance or violates any orders, permits or filings of any Governmental Body having jurisdiction over Company, which violation or non-compliance materially affects the Company's ability to perform under this Agreement, provided that Company may contest any such orders or filings by appropriate proceedings conducted in good faith, in which case no breach shall be deemed to have occurred during the pendency of the contestation or appeal, to the extent Company is able to adequately perform the Services during such period.

(k) If there is a seizure or attachment of, or levy on, the operating equipment of Company, including without limits its equipment, maintenance or office facilities, or any part thereof which materially affects the Company's ability to perform the Services. No cure period shall apply to such an event.

(l) If Company or any of its officers, directors, employees, or others in position to supervise or influence actions under this Agreement, be "found guilty" of felonious conduct relating to its obligations under this Agreement. The term "found guilty" shall be deemed to include any judicial determination that Company or any of its officers, directors or employees, or others in position to supervise or influence actions under this Agreement, is guilty, and any admission of guilt by Company or any of Company's officers, directors or employees, including but not limited to, the pleas of "guilty," "nolo contendere," "no contest," or "guilty of a

lesser felony” entered into as part of any plea bargain. Such felonious conduct includes, but is not limited to any activities related to or carried out pursuant to this Agreement for: (1) price fixing; (2) illegal transport, processing or disposal of hazardous toxic materials, (3) bribery of public officials, or (4) fraud or tampering. If District does not terminate this Agreement when any of Company’s officers, directors or employees are “found guilty,” and upon direction of District, Company shall dismiss or remove its officers, directors or employees who have been “found guilty” and take a necessary and appropriate to remedy any breach of its obligations. A thirty (30) day cure period shall apply to such an event.

(m) Company assigns this Agreement in violation of Section 7.6 of this Agreement. No cure period shall apply to such an event.

5.5.2 Notice of Default

The Company shall be in default from the date of receipt of a notice from the District identifying such default.

5.5.3 District Remedies in the Event of Company Default

Upon failure to cure a Company default, the District shall, in addition to its right to collect monetary damages, have the following rights:

- (a) Waive Default. To, at its sole discretion, waive the Company default.
- (b) Termination. Terminate the Agreement, provided that no termination shall be effective until the District has given written notice to the Company of its decision to terminate the Agreement.
- (c) All Other Available Remedies. In addition to, or in lieu of termination, to exercise all of its remedies in accordance with this Section 5 and any other remedies at law and in equity, to which the District shall be entitled, according to proof.
- (d) Damages Survive. If the Company owes any damages upon District’s termination of the Agreement, the Company’s liability under this Section 5 shall survive termination.

5.5.4 Events of District Default

The Company may terminate the Agreement upon the occurrence of an event of Default by the District and an appropriate cure period following written notification by the Company.

Events of Default, without limitation, include the following:

- (a) Bankruptcy. The filing by the District of a petition seeking relief under the Federal Bankruptcy Code or any Federal or State statute intended to provide relief for political subdivision which is insolvent or unable to meet its obligations as they mature.

(b) Failure to Pay. Failure of the District, following a notice and cure period of thirty (30) days, to pay undisputed amounts owed to the Company under the Agreement, as and when they become due and owing

(c) Failure or Refusal to Perform. The Company has given prior written notice to the District that a specified failure or refusal to perform exists which shall, unless corrected constitute a material breach of this Agreement on the part of the District and which shall, in its opinion, give the Company a right to terminate this Agreement for cause under this Section unless such default is corrected within a reasonable period of time, but not more than (60) days, and the District has neither challenged in an appropriate forum the Company's conclusion that such failure or refusal to perform has occurred or constitutes a material breach of this Agreement nor corrected or diligently taken steps to correct such default within a reasonable period of time but not more than sixty (60) days from the date of the notice given pursuant to the preceding paragraph (but if the District shall have diligently taken steps to correct such default within a reasonable period of time, but in no even greater than sixty (60) days, the same shall not constitute an Event of Default for as long as the District is continuing diligently to take such steps to correct such Event of Default.)

5.5.5 Notice of Default

District shall be in default from the date of receipt of a Notice from the Company identifying such default.

5.5.6 Company Remedies in the Event of District Default

Upon failure to cure a District default, the Company shall, in addition to its right to collect monetary damages, have the following rights:

(a) Waive Default. To, at its sole discretion, waive the District default.

(b) Termination. Terminate the Agreement, provided that no termination shall be effective until the Company shall have given written notice to District of its decision to terminate the Agreement.

(c) All Other Available Remedies. In addition to, or in lieu of termination, to exercise all of its remedies in accordance with this Section 5 and any other remedies at law and in equity, to which the Company shall be entitled, according to proof.

(d) Damages Survive. If the District owes any damages upon the Company's termination of the Agreement, District's liability under this Section 5 shall survive termination.

5.5.7 Substitute Services

In addition to exercising any or all remedies specified in this Agreement, with regard to an event of Company breach or default, respectively (which has not been cured within the time period specified herein), or due to an Uncontrollable Circumstance which the Company has failed to mitigate or ameliorate in accordance with the requirements specified in Section 5.5.10, the District may at its sole discretion seek substitute services. If at time the Company is unable

to operate the Facility or perform the Services required under this Agreement, the District shall have the right to immediately assume possession of the Facility.

5.5.8 Waiver

A waiver by one Party of one breach or default by the other Party shall not be deemed to be waiver of any other breach or default by that Party, including ones with respect to the same obligations hereunder, and including new incidents of the same breach or default. The subsequent acceptance of any damages or other money paid hereunder shall not be deemed to be a waiver of any pre-existing or concurrent breach or default.

5.5.9 Determination of Remedy or Cure of Breach or Default.

Upon request of either Party, an event of breach or default shall be considered remedied or cured upon signature by both Parties of a written agreement specifying the event and stating that remedy and/or cure of such event has been completed.

5.5.10 Uncontrollable Circumstances

(a) Performance Excused. Neither Party shall be in breach of its obligations hereunder in the event, and for so long as, it is impossible or extremely impracticable for it to perform such obligations due to an Uncontrollable Circumstance if such Party exerted Prudent Industry Practices to prevent such Uncontrollable Circumstance, and such Party expeditiously takes all actions within its control to end, or to ameliorate the effects of such Uncontrollable Circumstance as soon as possible.

The District, by virtue of providing the property insurance as specified in Schedule 7, shall carry and keep in force such property insurance as is needed to mitigate the financial effects of Uncontrollable Circumstances to which the Facility may be subject. All insurance proceeds available from policies covering any Uncontrollable Circumstance act or event shall be used to mitigate any damages caused by such Uncontrollable Circumstance insurable event.

(b) Notice. The Party claiming excuse from performance of its obligations based on an Uncontrollable Circumstance shall Notify the other Party as soon as is reasonably possible, but in no event later than three (3) working days after the occurrence of the event constituting the Uncontrollable Circumstance. The Notice shall include a description of the event, the nature of the obligations for which the Party claiming Uncontrollable Circumstance seeks excuse from performance, the expected duration of the inability to perform and proposed mitigation measures.

5.5.11 Termination by Labor Unrest

If personnel employed by the Company and performing Services pursuant to the Company's obligations under the Agreement shall go on a labor strike or slowdown, or if a work stoppage, walkout or secondary boycott shall occur, for any reason or cause whatsoever, and such act or event effectively prevents the Company from performing its material obligations under the Agreement, the District may, in its sole discretion, by notice to the Company, terminate the Agreement forthwith.

5.5.12 Termination for Uncontrollable Circumstances

If an Uncontrollable Circumstance shall occur relative to a material obligation of the Company under the Agreement and such Uncontrollable Circumstance or the effect thereof preventing performance of such material obligation shall continue for a period of thirty (30) days, the District, upon notice to the Company, may, at its sole discretion, terminate the Agreement forthwith, notwithstanding that such Uncontrollable Circumstance may only be cured by the District's procurement or implementation of a capital improvement, repair or construction which the District determines, in its sole discretion, not to procure or implement. In the event of termination for Uncontrollable Circumstances, Company shall be entitled to reimbursement of costs from District for reasonable mobilization and related costs upon Cost Substantiation by Company. Such amount shall not in any event exceed those provided for in Section 5.5.13 for Termination for Convenience, and shall be Company's sole remedy against District in the event of a termination for Uncontrollable Circumstances.

5.5.13 Termination for Convenience

The District shall have the right to terminate the Agreement at its sole discretion, for its convenience and without cause at any time after the execution of the Agreement upon ninety (90) days' prior written notice to the Company. If the District exercises its right to terminate the Agreement, the District shall pay the Company a termination fee equal to an amount specified in this Section 5.5.13. The fees shall include costs for demobilization and related costs, but shall in no way include payment for future profits that could have been received by the Company had the Agreement continued for its entire term. The maximum amount for termination (exclusive of demobilization costs) shall be two hundred fifty thousand dollars (\$250,000) (as proposed by Company on Proposal Form 5). This maximum amount of two hundred fifty thousand dollars (\$250,000), exclusive of demobilization costs, shall be fixed for the first two (2) years of the Agreement and shall then decline by 1/3 of the original two hundred fifty thousand dollars (\$250,000) amount for each year during the remaining term of the Agreement. The fees indicated shall be reduced by any outstanding encumbrances incurred by the Company on behalf of the District.

Notwithstanding any other terms of this contract to the contrary, upon any termination of this Agreement pursuant to this Section or any other section of this Agreement, the Company shall also be paid all amounts due for goods or Services provided hereunder prior to termination, which are to be paid as part of the Service Fee or any other provision of this Agreement but not yet paid as of the date of termination.

The Company agrees that the applicable termination payments provided in this Section shall fully and adequately compensate the Company and all Subcontractors for all profits, costs, expenses, losses, liabilities, damages, taxes, and charges of any kind whatsoever (whether foreseen or unforeseen) attributable to such termination of the Company's right to perform this Agreement.

After the date of any termination under this Section, the District may at any time (but without any obligation to do so) take any and all actions necessary or desirable to continue the Services so terminated, including, without limitation, entering into contracts with other contractors.

5.5.14 Enforcement Costs

The Company agrees to pay to the District all Fees and Costs incurred by or on behalf of the District in enforcing payment or performance of the Company's obligations hereunder, including, but not limited to, reasonable attorney's fees and court costs, provided, however, that District shall provide reasonable Cost Substantiation of all such Fees and Costs and shall reimburse Company all such Fees and Costs to the extent the Company is later adjudged not to have been in violation of its obligations as specified herein.

5.6 Project Guarantor and Performance Bond

The Company shall provide a Project Guarantor that executes the Guarantee as set forth in Schedule 6. This Guarantee must be executed concurrently with the Agreement on the Contract Date. At the District's sole option, the District may require the Company to provide a performance bond in an amount equal to the annual Service Fee, including Pass Through Costs. Costs for the performance bond shall be treated as a Pass Through Cost. If requested by the District, the Company shall secure and maintain the performance bond as required in the Agreement throughout the Term, or until cancelled at the request of the District.

5.7 Insurance

5.7.1 General Requirements

The Company shall provide insurance for the coverage amounts set forth in Schedule 7. Costs for this insurance shall be treated as a Pass Through Cost unless so indicated by Company that insurance costs are included within the Service Fee. Prior to the Company commencing Services, the Company's insurance broker Company shall send to the District a certificate indicating that the required insurance is in force and stating that the policies will not be canceled without the requisite notice as specified in Schedule 7 by registered mail. The Company shall secure and maintain the Insurance as required in the Agreement.

The representative signing the certificate shall furnish evidence that he is authorized to sign as well as his address and the agency or agencies through which the insurance was obtained.

In the event Company seeks to be self-insured with respect to this Agreement such shall require District approval.

5.7.2 Insurers, Deductibles and District Rights

All Insurance shall be procured and maintained from financially sound and generally recognized responsible insurance companies admitted to the State of California and approved by the California Department of Insurance selected by the Company with the consent of the District, which consent shall not be unreasonably withheld, and authorized to write such insurance in the State. Notwithstanding the foregoing, in the event the Company wishes to use a non-admitted carrier, the Company must provide notice to the District and must provide sufficient information to allow the District to evaluate the proposed non-admitted carrier. The District must provide written consent to use the proposed carrier, which consent shall be at the District's sole and reasonable discretion. The District reserves the right to require Company to obtain insurance

from insurers achieving ratings from an insurance rating service acceptable to the District from an insurance rating service of the District's choosing in District's sole and reasonable discretion. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and respects to those in which the Company is engaged. The Company must provide the District with the deductible amounts for each policy, and must obtain the District's written consent to those deductible amounts, which consent shall be at the District's sole and reasonable discretion. The Company shall be responsible for any deductible amounts, which shall not be Pass Through Costs. All policies evidencing such insurance shall provide for (1) payment of the losses to the District, and to the Company as their respective interests may appear, and (2) prior written notice of the cancellation in the policy thereof to the Company and the District in accordance with the notice requirements specified in Schedule 7. All policies of insurance required by this Section shall be primary insurance without any right of contribution from other insurance carried by the District. The District, and its Director, board members, officers, employees, agents and persons under the District's control or supervision shall be named as Additional insured under these policies (excluding the worker's compensation insurance policy). The types and amounts of coverage required by the District are provided in Schedule 7 of this Agreement.

5.7.3 Certificates, Policies and Notice

The Company shall deliver to the District, as soon as practicable after the execution of this Agreement and within sixty (60) days prior to each Fiscal Year thereafter Certificates and any applicable endorsements thereto setting forth in reasonable detail the particulars as to all insurance policies which the Company is required to maintain pursuant to this Section, listing the risks that are covered thereby, the name of the insurers issuing such insurance, certifying that the same are in full force and effect and giving the amounts and expiration dates of such insurance; the Company, if requested by District, shall also complete the District's coverage certification forms and supply the completed form to the District. If required as a result of a claim or loss for which an indemnification is owed to the District by Company or to which the Company's insurance would otherwise be applicable, the Company shall also supply the District District's designated legal counsel with certified copies of said Insurance policies promptly following such District request. Such policies shall contain an endorsement to the effect that the insuring company shall notify the District in accordance with the notice provisions specified in Schedule 7. Whenever a Subcontractor is utilized, the Company shall either procure and maintain or require the Subcontractor to procure and maintain during the applicable Term comprehensive general liability, worker's compensation and motor vehicle liability insurance coverage subject to the requirements of Schedule 7, covering damage caused by actions of the Subcontractor or its employees.

5.8 Regulatory Compliance Guarantee

5.8.1 Regulatory compliance guarantee provided by the Company

a) The Company will meet the performance standards and guarantees specified in Schedule 1 of this Agreement. This section addresses treated effluent from the Facility which fails to meet the Performance Standards and Guarantees specified in Schedule 1. The Company

is responsible for meeting the applicable regulatory requirements first, followed by any additional requirements specified in this Agreement.

b) The Company shall, within the design capability and capacities of the Novato WWTP, maintain compliance with the regulatory requirements of NPDES Order No. R2-2004-0093, and California Order No. 92-065 as applicable to the Company scope of work.

c) The Company shall, within the design capability and capacities of the Novato WWTP maintain compliance with the Bay Area Air Quality Management Permits applicable to the Novato Facility and Company's scope of work.

d) The Company shall, within the design capabilities and capacities of the Novato WWTP, maintain compliance with applicable safety and security standards and regulations within Company's scope of work.

5.8.2 Non-Compliance Assessment

The following sequence outlines the procedures if the Company fails to meet Effluent Limits for treating influent wastewater:

1. The Company shall immediately take the appropriate and all reasonable action to satisfy all regulatory requirements.

2. Within twenty-four (24) hours of noncompliance, the Company shall provide a plan to the District explaining the cause of such failure and outlining corrective actions for preventing similar or related failures in the future.

3. The District will review and approve the plan within forty-eight (48) hours upon receipt.

4. The Company shall immediately implement any elements of the plan, which incorporates the District's comments that are not already underway by the Company. Incorporation of the District's comments shall provide the finalized plan, unless additional revision, based upon new information, is necessary. The Company shall be responsible for performing any and all operational modifications, as specified by the plan, to meet the Effluent Limits.

Failure to implement any of the above corrective actions will result in the District's ability to impose Liquidated Damages in the amount of five thousand dollars (\$5,000) per day, per violation for substantial and continuous violations that threaten public health and/or safety and/or the environment from the date of violation.

The District recognizes that the Company is responsible to the District for meeting Effluent Limits only under those conditions where the influent wastewater is within the design parameters of the facility. If a situation does occur where the influent wastewater is outside of design parameters, the District's objective is to assure that a "best efforts" program to meet Effluent Limits is immediately implemented by the Company.

The charges which may be assessed under this provision shall in no way substitute for or relieve the Company of financial and legal obligations from regulatory agencies. The District reserves the right to offset the monthly service fee by the liquidated damages, if any, charged to the Company under this Section 5.8.

Repeated failure to responsively perform other aspects of the Services contained in the Agreement, including reporting and administrative requirements, upon written notification to correct and a reasonable time period to correct, will result in the District's ability to impose a non-compliance assessment in the amount of one thousand dollars (\$1,000) per day until such time as the noted deficiency is corrected or the District elects to terminate the Agreement. Such non-compliance assessment may be increased by the District to the amount of five thousand dollars (\$5,000) per day for any repeated failure to comply with the same particular standard previously violated within any twelve (12) month period. Such increase of the non-compliance assessment shall be actionable by the District only after a reasonable notice and cure period for the repeated violation.

5.9 Certain Obligations of the Company Upon Termination or Expiration

5.9.1 Company Obligations Upon Termination

Upon a termination of the Company's right to perform this Agreement under Sections 5.4 and 5.5, hereof or upon the expiration of this Agreement under Article 5.1 hereof, the Company shall, as applicable: (1) stop the Services, as applicable, on the date and to the extent specified by the District; (2) promptly take all action as necessary to protect and preserve all materials, Equipment, tools, facilities and other District property; (3) clean the Facility and the grounds, and leave the same in a neat and orderly condition; (4) promptly remove all employees of the Company and any Subcontractors and vacate the Site (except to the extent necessary to perform the work described in this paragraph or as may be retained or employed by the District, at District's election); (5) promptly deliver to the District copies of any and all Subcontracts, together with a statement of: (a) the items ordered and not yet delivered pursuant to each agreement; (b) the expected delivery date of all such items; (c) the total cost of each agreement and the terms of payment; and (d) the estimated cost of canceling each agreement; (6) advise the District promptly of any special circumstances which might limit or prohibit cancellation of any Subcontract; (7) give written notice of termination, effective as of date of termination of this Agreement, promptly under each policy of insurance (with a copy of each such notice to the District), but permit the District to continue such policies thereafter at its own expense, if possible; and (8) take such other actions, and execute such other documents as may be necessary to effectuate and confirm the foregoing matters, or as may be otherwise necessary or desirable to minimize the District's costs, and take no action which shall increase any amount payable to the District under this Agreement.

5.9.2 Additional Obligations

Upon termination of the Company's right to perform this Agreement under Sections 5.4 and 5.5, hereof or upon the expiration of this Agreement under Article 5 hereof, the Company at its cost and expense shall provide, and shall use its best reasonable efforts to cause its Subcontractors to provide operational and maintenance systems advice and support to the District or any replacement operator designated by the District. Such advice and support shall be

for a period of thirty (30) days and shall include providing any operating manuals, maintenance and operating records, or other information useful or necessary for the District or any replacement operation designated by the District or any such replacement operator to perform the Services. If terminated pursuant to the above sections, the Company shall exercise its best efforts to maintain the performance of the Facility during the transfer to the District.

5.9.3 Company Payment of Certain Costs

If termination is pursuant to Section 5.5.1 hereof for a Company Event of Default, the Company shall be obligated to pay the costs and expenses of undertaking its post-termination responsibilities under this Section. If the Company fails to comply with any obligations under this Section, the District may perform such obligations and the Company shall pay on demand all reasonable costs thereof subject to receipt of invoices or other cost substantiation.

5.9.4 District Payment of Certain Costs

If termination is for the convenience of the District under Section 5.4 hereof or due to a District Event of Default pursuant to Section 5.4 hereof, the District shall pay to the Company within sixty (60) days of the date of the Company's invoice supported by Cost Substantiation all reasonable costs and expenses incurred by the Company in satisfying the requirements of this Section.

5.10 Survivability of Provisions

The provisions contained in Article V Section 5.2; Section 5.7, Section 5.8 and Section 5.9 shall survive termination of this Agreement with respect to claims arising during the Term hereof.

6.0 REPRESENTATIONS AND WARRANTIES

6.1 Representations of the District

The District represents and warrants to the Company as follows:

6.1.1 Existence and Powers

The District is a body corporate and politic constituting a sanitary district, validly existing under the Constitution and the laws of the State, with full legal right, power and authority to enter into and to perform its obligations under this Agreement.

6.1.2 Due Authorization and Binding Obligation

This Agreement has been duly authorized, executed and delivered by all necessary corporate action of the District and constitutes a legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights from time to time in effect.

6.1.3 No Conflict

Neither the execution nor delivery by the District of this Agreement, nor the performance by the District of its obligations in connection with the transactions contemplated hereby or the fulfillment by the District of the terms or conditions hereof (1) conflicts with, violates or results in the breach of any constitution, law or governmental regulation applicable to the District, or (2) conflicts with, violates or results in the breach of any term or condition of any order, judgment or decree, or any contract, agreement or instrument, to which the District is a party or by which the District or any of its properties or assets are bound, or constitutes a default under any of the foregoing.

6.1.4 No Approvals Required

No approval, authorization, order or consent of, or declaration, registration or filing with, any Governmental Body or referendum of voters is required for the valid execution and delivery by the District of this Agreement or the performance by the District of its payment or other obligations hereunder.

6.2 Representations and Warranties of the Company

The Company represents and warrants to the District as follows:

6.2.1 Existence and Powers

The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the authority to do business in this State, with the full legal right, power and authority to enter into and perform its obligations under this Agreement.

6.2.2 Due Authorization and Binding Obligation

This Agreement has been duly authorized, executed and delivered by all necessary corporate action of the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that its enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights from time to time in effect.

6.2.3 No Conflict

Neither the execution nor delivery by the Company of this Agreement nor the performance by the Company of its obligations in connection with the transactions contemplated hereby or the fulfillment by the Company of the terms or conditions hereof (1) conflicts with, violates or results in a breach of any constitution, law or governmental regulation applicable to the Company or (2) conflicts with, violates or results in a breach of any order, judgment or decree, or any contract, agreement or instrument to which the Company is a party or by which the Company or any of its properties or assets are bound, or constitutes a default under any of the foregoing.

6.2.4 No Approvals Required

No approval, authorization, order or consent, or declaration, registration or filing with any Governmental Body is required for the valid execution and delivery of this Agreement by the Company or the performance of its payment or other obligations hereunder except as the same have been disclosed to the District and have been duly obtained or made.

6.2.5 No Litigation

There is no action, lawsuit or proceeding, a law or in equity, before or by any court or Governmental Body pending or, to the best of the Company's knowledge, threatened against the Company, which is likely to result in an unfavorable decision, ruling or finding which would materially and adversely affect the execution and delivery of this Agreement or the validity, legality or enforceability of this Agreement, or any other agreement or instrument entered into by the Company in connection with the transactions contemplated hereby, or which would materially and adversely affect the ability of the Company to perform its obligations hereunder or under any such other agreement or instrument.

6.2.6 Practicability of Performance

The Company assumes and shall have exclusive responsibility for the operation, maintenance and management of the Facility, consistent with the terms and requirements of this Agreement. The Company (1) assumes the risk of treating wastewater through the operation of the Facility which meets all of the requirements hereof even though such performance and supply may be different from those assumed by the Company in entering into this Agreement, and (2) agrees that sufficient consideration for the assumption of such risks and duties is included in the Service Fee. The Company's warranties in this paragraph shall apply notwithstanding the occurrence of any Uncontrollable Circumstance other than those specifically enumerated in the definition thereof.

6.2.7 Adequacy of Price and Schedule

The Company has reviewed carefully the documents of this Agreement, as existing on the Contract Date. Subject to the terms of this Agreement, the Company agrees that it can perform the operations maintenance and management of the Facility for the Service Fee set forth in Schedule 14 and Pass Trough Costs and usage set forth in Schedule 13 hereto.

6.2.8 Information Supplied by the Company

The information in this Agreement supplied by the Company is correct and complete in all material respects.

6.3 Survival of Representations and Warranties

Notwithstanding any other provision of this Agreement, the representations, warranties and covenants in this Article 6 are intended to and shall survive termination of this Agreement.

7.0 MISCELLANEOUS

7.1 Limited Recourse to District

7.1.1 Liability Limited to Revenues; Subordination to State Revolving Fund (SRF) Financing, Revenue Bonds, and Lines of Credit Obligations

The District's obligations hereunder shall be payable solely from amounts generated from the District's sewer service charges and ad valorem taxes and the revenues generated from deposits of those monies, provided that all payments to the Company shall be subordinate to the pledge and obligation to pay debt service on any issued revenue Bond obligations, including State Revolving Fund (SRF) financing or other lines of credit obligations. All amounts held in the District's running expense fund shall be held for the uses permitted thereby, and no such amounts shall constitute property of the Company. In addition to the provisions of the District's Bond indenture, the District may further pledge, hypothecate, transfer, or assign any of its funds including revenues, in any lawful manner the District determines so long as the District certifies that the remaining revenues available to make payments hereunder will be sufficient to pay all amounts expected to be payable to the Company hereunder.

7.2 Company Business Activities and Guarantor Credit Standing

7.2.1 Company Business

The Company agrees that its business regarding this Agreement will be limited to that contemplated by this Agreement and it will not engage in activities or incur liabilities in connection with this Agreement other than in connection with the Company's performance of this Agreement and the transactions contemplated hereby. The Company further represents that the Company is an independent contractor.

7.2.2 Guarantee Agreement

During the Contract Term, the Company shall cause to be provided and maintained the Guarantee Agreement.

7.3 Relationship of the Parties

7.3.1 Company shall perform the Services required by this Agreement as an independent contractor and the relationship between the parties shall be limited to the performance of this Agreement in accordance with its terms. Neither party shall have any responsibility with respects to the Services to be provided or contractual benefits assumed by the other party. Nothing in this Agreement shall be deemed to constitute either party a partner, agent or legal representative of the other party.

7.3.2 Although the District reserves the right (i) to specify the desired results; (ii) to determine (and modify) the delivery schedule for the Services to be performed; and (iii) to evaluate the quality of the completed performance, the District cannot and will not control the means or manner of the Company's performance. The Company is responsible for determining the appropriate means and manner of performing the Services.

7.3.3 The Company represents and warrants that Company (i) is not currently an employee of the federal government or the State of California, and (ii) meets the specific independent contractor standards of the State of California. Company represents and warrants that all Subcontractors shall also meet such independent contractor standards.

7.3.4 Company will be responsible for any federal or state taxes applicable to any compensation or payment paid to Company under this Agreement.

7.3.5 Company is not eligible or entitled to any federal Social Security, unemployment insurance, state Public Employees' Retirement System, or workers' compensation benefits from compensation or payments to Company under this Agreement either as an employee or quasi-employee of District under any theory of Applicable Law, the same being expressly denied.

7.3.6 Company shall not subcontract any of the work required by this contract exceeding thirty thousand dollars (\$30,000.00) of value without the prior written consent of the District, whose consent shall not be unreasonably withheld.

7.3.7 Company has no legal right to place liens or encumbrances on real and personal property owned by the District and shall not assert, record or lien said property.

7.3.8 Company shall not assert any equity ownership in any property, real or personal, of the District.

7.4 Interest on Overdue Obligations

Except as otherwise provided herein, all amounts due hereunder, whether as damages, credits, revenue, charges or reimbursements, that are not paid when due shall bear interest at a rate of the published Bank of America prime rate as existing on the date such payment obligation became overdue plus two percent (2%), on the basis of a three hundred sixty-five (365) day year, and shall be deemed added to the amount due as accrued.

7.5 Indemnity for Subcontractor Claims

No Subcontractor shall have any right against the District for labor, services, materials or equipment furnished for the Services. The Company acknowledges that its indemnity obligations under Section 5.2 hereof shall extend to all claims for payment or damages by any Subcontractor who furnishes or claims to have furnished any labor, services, materials or equipment in connection with the Services.

7.6 Assignment

7.6.1 By the Company

The Company shall not assign, transfer, convey, lease, encumber or otherwise dispose of this Agreement, its right to execute the same, or its right, title or interest in all or any part of this Agreement whatsoever whether legally or equitably, by power of attorney or otherwise without the prior written consent of the District. The following shall constitute an assignment for

purposes hereof: (i) the sale, lease, or other disposal of all or substantially all of the Company's assets to any other person, form, corporation, or association, (ii) the entry by the Company into any agreement to any such effect, and (iii) the transfer of greater than fifty-one (51%) of the ownership or control of the Company (except to a Company Affiliate). Any such approval given in one instance shall not relieve the Company of its obligation to obtain the prior written approval of the District to any further assignment. Any such assignment shall require the assignee of the Company to assume the performance of and observe all obligations, representations and warranties of the Company under this Agreement, and no such assignment shall relieve the Guarantor of any of its obligations under the Guaranty, which shall remain in full force and effect during the Contract Term. The approval of any assignment, transfer or conveyance shall not operate to release the Company in any way from any of its obligations under this Agreement prior to the date of assignment unless such approval specifically provides otherwise. Any assignment in violation of this Section shall be void.

7.6.2 By the District

The District may not assign its rights or obligations under this Agreement without the prior written consent of the Company. The District may however, assign its rights and obligations under this Agreement, without the consent of the Company, to another public or quasi-public entity if such entity is legally capable of discharging the duties and obligations of the District hereunder. Any such assignment shall require the assignee of the District to assume the performance of and observe all obligations, representations and warranties of the District under this Agreement. The approval of any assignment, transfer or conveyance shall not operate to release the District in any way from any of its obligations under this Agreement prior to the date of the assignment unless such approval specifically provides otherwise. Any assignment in violation of this Section shall be void.

7.7 Amendment and Waiver

This Agreement may not be amended except by a written agreement signed by the parties. This Agreement shall not be amended in such a way as to make any tax-exempt financing of the District taxable.

No failure or delay by the District in exercising any right, power or privilege hereunder or under the Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other right, power or privilege. No waiver, amendment, release or modification of this Agreement shall be established by conduct, custom or course of dealing, but solely by a instrument in writing duly executed by the party against whom any such waiver, amendment, release or modification is sought to be enforced.

7.8 No Other Agreements

All negotiations, proposals and agreements prior to the date of this Agreement are merged herein and superseded hereby, there being no agreements or understandings other than those written or specified herein, unless otherwise provided. This Agreement, including all Schedules attached hereto, constitutes the entire Agreement between the District and the Company with respect to the management, operation and maintenance of the Facility.

7.9 Notices

All notices, demands, requests and other communications hereunder shall be deemed sufficient and properly given if in writing and delivered in person to the following addresses or sent by first class mail, facsimile or email, to such addresses:

(a) If to the District: Beverly James
General Manager / Engineer
Novato Sanitary District
500 Davidson Street
Novato, CA 94945
Tel: 415-892-1694
Fax: 415-898-2279
bevj@novatosan.com

with a copy of all written correspondence to:

Kenton Alm
District Counsel
Meyers Nave
555 12th Street, Suite 1500
Oakland, CA 94607
Tel: 510-808-2000
Fax: 510-256-7508
kalm@meyersnave.com

(b) If to the Company:

Philip G. Ashcroft, President
Veolia Water West Operating Services, Inc.
2300 Contra Costa Blvd., Suite 350
Pleasant Hill, CA 94523
Tel: 925-771-7201
Fax: 925-681-0236
philip.ashcroft@veoliawaterna.com

(c) If to the Guarantor:

Laurent Auguste, President and CEO
Veolia Water North America Operating Services, LLC
Address: 200 Randolph Street, Suite 7900
Chicago, IL 60601
Telephone: 312-552-2805
Email: laurent.auguste@veoliawaterna.com

with a copy of all written correspondence to:

M. Scott Schrang
Assistant General Counsel
Veolia Water West Operating Services, Inc.
4760 World Houston Parkway
Suite 100
Houston, TX 77032
Tel: 832-300-5706
Fax: 713-672-8209
michael.schrang@veoliawaterna.com

Either party may, by like notice, designate further or different addresses to which subsequent notices shall be sent. Any notice hereunder signed on behalf of the notifying party by a duly authorized attorney at law shall be valid and effective to the same extent as if signed on behalf of such party by a duly authorized officer or employee. Notices and communications given by mail hereunder shall be deemed to have been given five (5) days after the date of dispatch; all other notices shall be deemed to have been given upon receipt.

Pursuant to California Code, Business and Professions Code, Division 3, Chapter 9, Article 2, Section 7030(a), every person licensed pursuant to this chapter shall include the following statement in at least 10-point type on all written contracts with respect to which the person is a prime contractor:

"CONTRACTORS ARE REQUIRED BY LAW TO BE LICENSED AND REGULATED BY THE CONTRACTORS' STATE LICENSE BOARD WHICH HAS JURISDICTION TO INVESTIGATE COMPLAINTS AGAINST CONTRACTORS IF A COMPLAINT REGARDING A PATENT ACT OR OMISSION IS FILED WITHIN FOUR YEARS OF THE DATE OF THE ALLEGED VIOLATION. A COMPLAINT REGARDING A LATENT ACT OR OMISSION PERTAINING TO STRUCTURAL DEFECTS MUST BE FILED WITHIN 10 YEARS OF THE DATE OF THE ALLEGED VIOLATION. ANY QUESTIONS CONCERNING A CONTRACTOR MAY BE REFERRED TO THE REGISTRAR, CONTRACTORS' STATE LICENSE BOARD, P.O. BOX 26000, SACRAMENTO, CA 95826."

7.10 Binding Effect

This Agreement shall bind and inure to the benefit of and shall be binding upon the District and the Company and any assignee acquiring an interest hereunder consistent with Section 7.7.

7.11 Consent to Jurisdiction

The Company and the District irrevocably (1) agree that any Legal Proceeding arising out of this Agreement shall be brought in either the Superior Court of California for the County of Marin or the Federal District Court for the Northern District of California, San Francisco Division and (2) consents to the jurisdiction of such courts in any such suit.

7.12 No Third Party Beneficiaries

District and Company are the only parties to this Agreement and are the only parties entitled to enforce its terms. Nothing in this Agreement give or provide any benefit or right, whether directly, indirectly, or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement .

7.13 Compliance With Applicable Law

In addition to any other provision of this Agreement, Company shall comply with all federal, state, and local laws and ordinances applicable to the work under this Agreement , including, but not limited to those set forth in Schedule 17. Without limiting the foregoing, Company expressly agrees to comply with: (i) Title VI of the Civil Rights Act of 1964; (ii) Section V of the Rehabilitation Act of 1973; (iii) the Americans with Disabilities Act of 1990, (iv) all regulations and administrative rules established pursuant to those laws; and (v) all other applicable requirements of federal and state civil rights and rehabilitation statues, rules and regulations. A condition or clause required by law to be in this contract shall be considered included by these references.

7.14 Severability

If any term or provision of this Agreement is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular term or provision held invalid.

7.15 Business License

Company must obtain a business license from the City of Novato.

7.16 Further Assurances

The District and Company each agree to execute and deliver such further instruments and to perform any acts that may be necessary or reasonably requested in order to give full effect to this Agreement. The District and the Company, in order to carry out this Agreement, each shall use all reasonable efforts to provide such information, execute such further instruments and documents and take such actions as may be reasonably requested by the other and not consistent with the provisions of this Agreement and not involving the assumption of obligations or liabilities different from or in excess of or in addition to those expressly provided for herein.

7.17 Counterparts

This Agreement may be executed in any number of original counterparts. All such counterparts shall constitute one and the same document.

7.18 Governing Law

This Agreement shall be governed by and construed in accordance with the domestic laws of the State of California, without giving effect to any choice of law provision or rule that would cause the application of laws of any jurisdiction other than the State of California.

7.19 Headings

The Table of Contents and any heading preceding the text of Articles, Sections and Subsections of this Agreement shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

8.0 ADDITIONAL SERVICES

8.1 Description of Additional Services

The following items shall be considered to be Additional Services under this Agreement:

(1) any change in Facility operations, personnel qualifications or staffing or other cost which is a result of an Uncontrollable Circumstance or from the treatment of wastewater that exceeds the design capacity and / or capability of the Facility as specified in Schedule 1 of this Agreement;

(2) changes in raw wastewater influent that are subject to the adjustment methodology of Schedule 8.

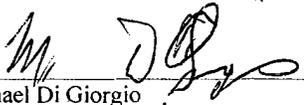
(3) District's request of Company to provide additional or reduced services upon terms mutually agreed to by the Parties.

8.2 Payment for Additional Services

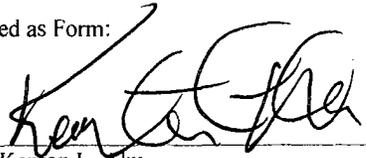
For Additional Services described in Sections 8.1(1) and 8.1(2), the District shall compensate Company for all costs and expenses reasonably incurred by Company in dealing with such event. For Additional Services described in Sections 8.1(3), the District and Company shall negotiate a mutually acceptable fee for such Additional Services. Company shall provide the District with Cost Substantiation with respect to the Additional Services described in Section 8.1 above.

[TEXT ENDS HERE – SIGNATURES ON THE FOLLOWING PAGE]

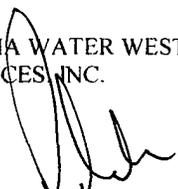
NOVATO SANITARY DISTRICT

By: 
Michael Di Giorgio
Its: Board President
Dated: 9/24/09

By: 
Beverly James
Its: Secretary of the District
Dated: 9/24/09

Approved as Form:
By: 
Kenton L. Alm
District Counsel
Dated: 9/28/09

VEOLIA WATER WEST OPERATING SERVICES, INC.

By: 
Its: President
Dated: 9/25/09

Approved as Form:
By: 
Dated: 9/25/09

APPENDIX A
Schedules to the Agreement

<u>Schedule</u>		<u>Pages</u>
Schedule 1 -	Performance Standards	52-53
Schedule 2 -	Operation and Maintenance Standards	54-64
Schedule 3 -	Facility Plans and Asset Management	65-70
Schedule 4 -	Wastewater Treatment Facility	71-74
Schedule 5 -	Facility Transition Plans and Systems – 14 Areas	75-81
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Schedule 8 -	Cost Adjustment and Escalation Indices	87-92
Schedule 9 -	Permits	93
Schedule 10-	District Contracts	94
Schedule 11-	Usage Caps: Maximum Utilities and Diesel Fuel Utilization	95-97
Schedule 12 -	Equipment and Chemicals Inventory	98
Schedule 13 -	Pass Through Costs	99
Schedule 14 -	Service Fee and Incentives	100-103
Schedule 15 -	Acceptance Testing	104
Schedule 16 -	Contract Term and Renewal Option	105
Schedule 17 -	Compliance With Applicable Law	106

**SCHEDULE 1
PERFORMANCE STANDARDS**

1.1 TREATMENT REQUIREMENTS

The Company shall operate and maintain the Facility in accordance with all applicable federal, State, and local regulations pertaining to wastewater treatment standards, including the effluent quality requirements described in the current NPDES and WDR Permits. In addition, the Company shall operate the Facility to be in compliance with the specific performance standards described herein. The Effluent Limits and performance requirements of the District’s NPDES and WDR Permits are referenced in Appendix B of this Agreement.

Influent wastewater within design criteria and flow and loading parameters established by the design criteria specified in Schedule 1 shall be treated to meet all regulatory requirements, including effluent discharge standards, without adjustment to the Service Fee or Utility Caps unless the twelve (12) month moving averages for maximum and minimum flow are loadings are exceeded. Provided the flows and loadings do not exceed design criteria, short term excursions of flows and / or loadings above or below the maximum and minimum flow and loadings established for the Service Fee and Utility Caps, but within the design criteria, shall not constitute an Uncontrollable Circumstance and shall not be eligible for compensation adjustment to the Service Fee or adjustments to the Utility Caps.

1.2 FACILITY DESIGN CRITERIA FOR WASTEWATER FLOWS AND LOADINGS

Detailed design criteria for the upgraded facility are referenced on sheet G-6 of the Novato Treatment Plant Improvements, (Contract B), Volume 5, contract drawings, (2006) designed by RMC Water Environment Inc. The Average Dry Weather Flow (ADWF) capacities per this drawing G-6 are referenced below. (Refer to drawing G-6 for more information on flows and loads).

ADWF(MGD)	Average BOD Loading (lbs/day)	Average TSS Loading (lbs/day)
7.0	14,600	17,600

Detailed design criteria for the existing Novato Wastewater Treatment Plant are referenced on pages I-5 through I-8 of the Operation and Maintenance Manual for the Novato Treatment Plant Project. Average dry weather capacities are summarized below:

ADWF(MGD)	Average BOD Loading (lbs/day)	Average TSS Loading (lbs/day)
4.53	9,713	12,851

Detailed design criteria for the existing Ignacio Wastewater Treatment Plant are referenced on pages I-3 through I-5 of the Operation and Maintenance Manual for the Ignacio Treatment Plant Project. Average dry weather capacities are summarized below:

ADWF(MGD)	Average BOD Loading (lbs/day)	Average TSS Loading (lbs/day)
2.02	3,995	4,775

SCHEDULE 2 OPERATION AND MAINTENANCE STANDARDS

2.1 GENERAL

The Company shall operate, maintain and manage the Facility in accordance with accepted industry standards and pursuant to the terms and provisions set forth herein. Operational decision-making shall always be based on the following overall objectives:

- Protection of public health and safety
- Protection of the health and safety of the Facility operating staff
- Preservation of the long-term capability to supply wastewater treatment services
- Protection of the environment and meeting all regulatory requirements
- Protection and preservation of the Facility Equipment and facilities
- Maximization of Facility operational efficiency and minimization of operational costs

2.2 OPERATIONS AND MAINTENANCE

The Company shall maintain the Facility in good working order and repair and in a neat and orderly condition. The Company shall maintain the aesthetic quality of the Facility (including existing facilities and new facilities) as conveyed to the Company at the time of such conveyance, with due allowance for reasonable wear and tear and depreciation. The Company shall maintain on behalf of the District all manufacturers' warranties on new facilities and Equipment purchased, and shall fully cooperate and assist the District, at the Company's sole cost and expense, in enforcing existing and new Equipment warranties and guaranties relative to the Facility.

The Service Fee shall be adjusted on an annual basis per the “blended adjustment index” methodology specified in Schedule 8, Section 8.1

The Service Fee shall be based on treating all wastewater within $\pm 20\%$ of the average dry weather flow and BOD and TSS loading values presented in Schedule 1. Should the average ranges (either for an individual component, i.e. flow, BOD or TSS, or a combination of components), as measured by a twelve (12) month moving average, fall outside the $\pm 20\%$ range, the Company and the District shall negotiate in good faith to adjust upward or downward the Service Fee per the adjustment methodology specified in Schedule 8, Section 8.2.

Table S2-1 Wastewater Influent Average ¹	
Parameter	12-Month Average (April 1, 2008, to March 31, 2009)
Flow, mgd	4.72
BOD ₅ , lbs/day **	11,307 lbs / day
TSS, lbs/day **	20,181 lbs / day

¹ Average of monthly average values over a 12-month period

** Both the Company and the District acknowledge that the relocation of the Novato Treatment Plant (NTP) influent sampler to a new location during July 2009 will result in reduced loading measurements as the previous influent sampler location included recycle flows as well as the Ignacio Treatment Plant effluent. The Company and the District shall cooperatively work to develop a correlation methodology for the loadings at the new location and subsequently develop an updated loadings profile and number for the BOD lbs / day and TSS lbs / day. Such correlation and revised lbs / day to be completed within thirteen (13) months following the completion of the upgrades relocating sampling locations and equipment and commissioning of new facilities (final Acceptance of all new facilities). Substitution of the revised / updated BOD and / or TSS loadings number shall not result in any revision to existing compensation unless the current 12 Month Average provided in Table S2-1 reflects the required +/- 20% change.

The Company shall continue to meet the performance standards specified in Schedule 1 if the influent flows and/or loadings fail to fall within the $\pm 20\%$ range on a daily, monthly, or other short-term basis. The $\pm 20\%$ influent flow and loading range is intended to protect the District and the Company from extraordinary changes, on an annual average basis, over the Term of the Agreement.

Influent wastewater within design criteria and flow and loading parameters established by the design criteria specified in Schedule 1 shall be treated to meet all regulatory requirements, including effluent discharge standards, without adjustment to the Service Fee or Utility Caps unless the twelve (12) month moving averages for maximum and minimum flow loadings are exceeded. Provided the flows and loadings do not exceed design criteria, short term excursions of flows and / or loadings above or below the maximum and minimum flow and loadings established for the Service Fee and Utility Caps, but within the design criteria, shall not constitute an Uncontrollable Circumstance and shall not be eligible for compensation adjustment to the Service Fee or adjustments to the Utility Caps.

The subsequent sections set forth requirements for the operation and maintenance (O&M) of Facility components, and are intended to address the major activities required. The following sections, however, are not intended to include all specific activities that are necessary for meeting the performance requirements set forth in the Agreement.

In addition to the general requirements of the Agreement, the Company is responsible for the specific performance requirements below. The Company shall refer to the Operations Manual, as updated by the Company, and associated operation and maintenance manuals to understand additional operations and maintenance requirements.

The Facility shall at all times be operated, controlled, and supervised by a qualified manager and with supervisory controls capable of responding immediately and effectively to any and all anticipated and unanticipated circumstances. The combination of automated and human oversight shall assure compliance with the Agreement.

2.2.1 Existing SCADA System Capability and Usage

The District currently utilizes the Invensys Wonderware family of software for its Supervisory Control and Data Acquisition (SCADA) functions. Wonderware provides many different system components for SCADA functions. The District uses three main components. The first, InTouch Software (version 9.5) is the primary interface for engineering and operations. It collects (via DA Server) and displays process data collected from the field and allows control changes. It displays and manages alarm presentation, trends and pager callouts (via SCADA Alarm). The existing main Intouch nodes are licensed for 60,000 tags.

The second component is the InSQL server. This is the repository for all archived data. Within InSQL, process data, historical alarms and events are stored and made available for trends, searches and reports. The existing InSQL server is licensed for 500 tags. There are 480 tags in use but the new plant SCADA system will be off loading our existing plant SCADA system which will allow some additional expansion capacity as the primary focus for this existing system shifts to collections (primarily pump stations).

The final component concerns the ability to present the InTouch screens to a user located either onsite or offsite and have increased flexibility regarding number of licensed user requirements. Utilizing Microsoft Terminal Services and InTouch for Terminal Services we provision a thin client version of the same screens and control functions available on the primary node.

The District currently polls 8 IP based (Ethernet) slaves, 13 Leased Line slaves and 24 radio based slaves. The District is in the process transitioning away from Leased Lines where possible.

A very similar overall system will be provided (also Wonderware) as part of the new facility upgrades. A node/PLC was recently provided as part of the Ignacio Transfer Pump Station Project as well as nodes/PLCs for GBT and Headworks. These nodes will ultimately be integrated into the new facility system.

2.2.2 New Facility SCADA System Capability and Usage

The District will continue to utilize the Invensys Wonderware family of software for its SCADA functions at the new NTP Plant. As on the existing system, the District will use three main components. The first, InTouch Software (version 10) is the primary interface for engineering and operations. It collects (via new redundant DA Servers) and displays process

data collected from the field and allows control changes. It displays and manages alarm presentation, printing, trends and pager callouts (via SCADAAlarm). The District's main InTouch nodes will be licensed for sixty thousand (60,000) tags.

The second component is new fault tolerant, redundant InSQL servers. These provide the repository for archived data. Within InSQL, process data, historical alarms and events are stored and made available for trends, searches and reports. The District's InSQL servers will be licensed for 500 tags. We anticipate 400+ tags to be in use in the new plant Historian.

The final component concerns the ability to present InTouch screens to a user located either onsite or offsite. Eleven Wonderware Operator Interfaces will be placed around the plant. Terminal Service Clients will provide additional offsite access. As on the existing SCADA system, Terminal Services and InTouch for Terminal Services will provision a thin client version of the same screens and control functions available on the primary node.

The District will poll 8 IP based (Ethernet) Modicon Quantum slaves over a dual fiber self healing network plus 1 IP slave (Ignacio TPS) over dual radio links.

As previously noted, the District will provide a SCADA system at the Facility that shall be utilized for the purpose of managing and improving operational monitoring, operational performance, establishment of unattended operations, and efficiency. Within thirty (30) days of the Commencement Date, the Company shall provide the District with written confirmation of its acceptance of the SCADA system capabilities and performance. Development of SCADA upgrades to be provided by others and the related Acceptance of ongoing SCADA upgrades associated with the facility improvements currently underway shall be addressed along with other Acceptance processes included herein along with commensurate thirty (30) day and ninety (90) day acceptance periods for non-biological and biological upgrades respectively. Should operational issues occur that the Company represents were caused by the SCADA system after the contract Commencement Date, but before written acceptance by the Company, the burden of proof regarding SCADA system operation shall be the Company's responsibility. The Company shall be responsible for ongoing integration of such SCADA system with Facility operations, including the associated staff training required. The Company shall propose to the District, for District review and acceptance, any modification and/or reconfiguration of the SCADA system, as deemed necessary by the Company. Such updates are anticipated to occur consistent with the Company's major maintenance schedule for the five (5) year Contract Term.

The Facility SCADA system (hardware and software) and any modifications to the system shall utilize tested and proven technology that results in a complete system that remains capable of ensuring efficient and effective monitoring and control of the facility throughout the period of the Agreement. Currently, the SCADA system is comprised of a PLC based control system utilizing remote PC's, fiber optic communication and Wonderware InTouch and InSQL software. The Quantum PLC's and fiber optics are anticipated to have a life beyond the five (5) year term of this Agreement. The Company is encouraged to suggest and the District shall not unreasonably withhold approval of improved technology as requested by the Company. The use of unproven, "cutting edge," technology will only be implemented with the written concurrence of the District and the District reserves the right to unilaterally reject such "leading edge" technology consistent with this section of the Agreement.

2.2.3 Computerized Maintenance Management System

The Company shall provide a CMMS to develop and implement a comprehensive computer-based maintenance management program that contains readily available historical data, including an inventory of spare parts and provisions for enforcing existing Equipment warranties and guarantees and maintaining all warranties on new Equipment purchased after the Commencement Date. As part of the overall Asset Management Program for the Facility, the Company shall implement such a maintenance management program to include Preventive, Predictive, and corrective maintenance for all components of the Facility, including but not limited to:

- Buildings, grounds, and structures (other than the Administration Building)
- Electrical systems and instrumentation (excluding those for the Administration Building, but including the standby generator for the Administration Building)
- Mechanical Equipment (excluding that for the Administration Building, but including the standby generator for the Administration Building)
- Odor control systems
- All safety systems (including but not limited to fire alarm and suppression systems, combustible gas detection systems, fall prevention and protection systems, etc., excluding those within the Administration Building)
- Heating, ventilation, and air conditioning (excluding such systems for the Administration Building)
- Communication equipment (i.e. telephones, facsimiles, etc.) (other than that located within the Administration Building, but including any such equipment related to the SCADA system)
- Chemical feed systems
- Pumping systems
- Auxiliary power facilities
- Air pollution control devices (to the extent such devices are present at the Facility)
- SCADA facilities (including but not limited to Computer equipment (all software and hardware))
- Other facilities, Equipment, and systems contained within the Facility (excluding the Administration Building unless such Administration building items are specifically referenced herein)
- Other specialized tools and equipment

2.2.4 Odor Control Facilities

The Company shall use reasonable efforts consistent with best industry practices and the Agreement to control odors from the Facility so that the odors at the Site boundary do not prompt public complaints. The Company's commitment shall be to achieve zero odor incidents, and the Company, in conjunction with the District, shall develop a program that identifies procedures for certifying and documenting odor complaints, and shall establish procedures to address recurrent failures of the odor control program. Additional provisions with respect to odor control facilities and their operations are provided below.

The Company shall be responsible for optimizing the operation of existing and future odor control equipment so that it performs to its designed capacity and capability.

2.2.4.1 Odor Response Plan

The Company shall establish a response plan based on the Facility's current response procedures. The complainant should be contacted as soon as possible, at a reasonable time of day, and the site of the odor source visited to obtain more information on the location and characteristic of the odor complaint. The Company shall obtain hydrogen sulfide (H₂S) measurements at the Facility and at the location of the complaint using a hand held meter to establish the presence of odorous compounds at different locations in the Facility, including the wet stream and Biosolids handling processes and the odor control system exhausts. The odor complaint log form shall be completed, including wind speed and direction at time of the call, the status of process units, and action taken by the Company to rectify the odor complaint. A written report on the odor complaint investigation shall be provided to the District.

If the results of the H₂S monitoring and other investigations establish the continued presence of odorous compounds, then the Company shall (1) review and, as appropriate, adjust current operations and maintenance practices concerning odor control, and at its direction, subject to the provisions of the Agreement, make recommendations to the District, for the District's review and acceptance, for capital Equipment to be provided by the District to address odors, in lieu of or in addition to proposed adjustments to current operations and maintenance practices, and (2) in connection therewith, make reasonable efforts to determine and implement, at the sole cost and expense of the Company, a corrective action plan within a reasonable time period. If the initial H₂S levels are below detection threshold levels, and the odor complaints persist, the District may request the Company to perform odor evaluations. Should the evaluation results indicate the presence of odors above the detection threshold levels, then the Company shall conduct and pay for such odor evaluations and shall use all reasonable efforts to determine and implement a corrective action plan in a timely manner, subject to the District's review and comment. The first phase of such corrective action plan shall include a reasonable time period for the Company to determine the cause of the odors.

2.2.5 (Reserved)

2.2.6 Equipment and Chemicals

The Company shall keep all tools, spare parts, and any and all required and related items in good operating condition and maintain tools, spare parts, and other relevant items in inventory

to facilitate the repair and replacement of used or useful Equipment, as necessary, in a timely fashion so as not to disrupt the operation of the Facility. Such Equipment shall be of a quality and durability equal to or greater than the Equipment being used, in inventory, or required herein to be secured as of the Commencement Date; and shall meet the specification provided for in the Operations Manual or future operations manuals issued with new equipment.

The Company shall operate all used or useful Equipment, including Equipment placed in service, and perform all tests and testing as may be required or recommended pursuant to applicable warranties, commercial or industrial standards and federal, State, and local laws, regulations and Permits. The Company shall promptly notify the District in the event of any major Equipment failure.

All Equipment and chemicals provided by the District on and after the Contract Date, including any Equipment permanently affixed to the Facility or chemical ordered by the Company or the District for the Facility, shall be deemed to be owned by the District and shall remain a part of the Facility upon termination or expiration of the Agreement. All such Equipment shall be in good operating condition, as adjusted for normal wear and tear. All property, Equipment and chemicals designated for disposal or replacement shall be replaced or disposed of as defined in the Agreement.

2.2.7 Company Vehicle Maintenance

The Company shall maintain its vehicles in a professional manner consistent with industry and safety standards.

2.2.8 Buildings Services (except Administration Building)

The Company shall perform buildings services to maintain the current condition of the Facility, for those buildings and facilities located at the wastewater treatment plant site and pump stations listed in Schedule 4.2, and used by the Company for the operation and maintenance of the Facility throughout the term of the Agreement. Housekeeping and grounds shall be maintained in an acceptable manner consistent with the District's objectives for high quality services, facilities, and appearance. The Facility structures shall be maintained at a level adequate for the efficient, long-term reliability and preservation of the capital investment with the buildings, grounds, and landscaping in an aesthetically attractive and clean condition. The District shall remain responsible for building services for the Administration Building.

2.2.9 Utilities

The cost for electricity, natural gas and diesel fuel shall be a Pass Through Cost up to the maximum limits specified in Schedule 11. The District shall pay for the costs of electricity, natural gas and diesel fuel up to the maximum usage levels specified in Schedule 11. Any additional usage shall be paid by the Company to the District without reimbursement by the District. The District shall report the usage of electricity, natural gas, and diesel fuel used by the Company on a monthly basis and shall invoice the Company monthly for payment by the Company to the District for any usage of electricity, natural gas, or diesel fuel above the maximum usage levels of Schedule 11.

2.2.10 Sewers and Collection System

The District will retain responsibility for maintenance, cleaning, repair, and construction of the District sewers and Collection System. The District will provide new sewer connections and/or laterals to properties along the existing Collection System. The Company shall coordinate its activities at the Facility with the District, as directed by the District, to minimize disruption of the Facility operation and maintenance and to prevent any interference with sewer cleaning and maintenance activities.

2.3 OPERATIONS AND MAINTENANCE COSTS

The Company shall provide, at its sole cost and expense, all labor, materials, machinery, vehicles, except Equipment and Chemicals initially provided by the District for the Company's use and identified in Schedule 12, including, but not limited to office equipment, copiers, computers, fuel, chemicals, supplies, materials, spare parts, expendables, consumables, testing and laboratory analysis, and any items required for the operation, maintenance and management of the Facility in accordance with the terms and provisions of the Agreement.

2.4 OPERATIONS MONITORING AND REVIEW

The District will actively participate in review of Facility management, operation and maintenance throughout the term of the Agreement.

2.4.1 Monthly Operating Reports

The Company shall prepare the monthly operating reports (Monthly Reports) summarizing the operations of the Facility for submission to the California Regional Water Quality Control Board (RWQCB) and NPDES Reporting. The Monthly Reports shall be prepared by the 15th or other date, as applicable, of every month for the previous month of Facility operation. The Monthly Reports shall be submitted to the District for review prior to submission. The Company shall prepare the Monthly Reports in a format subject to approval by the District and Report Agency. The Monthly Reports shall include data pertaining to the Facility performance, analyses required by the NPDES Permit, wastewater flows, and other pertinent information. Company shall include data, such as but not limited to the items listed below in the Monthly Reports and any other information necessary for compliance with Applicable Law and / or Agreement requirements:

- Monthly Discharge Monitoring Reports (DMRs) requirements (flow, influent and effluent BOD, COD and suspended solids, effluent pH, metals and toxicity testing results, etc.)
- Facility operations report to show daily process operations information including all process flows (i. e. wastewater, primary Biosolids, aeration tank influent, return Biosolids, waste Biosolids), primary and return Biosolids concentrations, secondary treatment process parameters (i.e. aeration tank dissolved oxygen levels, Biosolids settling tests, Biosolids production, Biosolids age, oxygen uptake rates), process unit hydraulic and solids loading rates, process unit detention times and process performance calculations.

- Summary of maintenance work performed, backlog, and anticipated major maintenance work for the next month.
- Summary of utility and chemical usage for the prior month.
- Summary of odor complaints and action taken.
- Summary of the operational staff time spent at each major process location of the Facility.
- Within sixty (60) days of Commencement, District and Company shall jointly develop a template for Monthly Reports and attach it hereto as an exhibit. District and Company may from time-to-time modify this template, approval of changes to which shall not be unreasonably withheld.

2.4.2 Annual Operation and Maintenance Report

The Company shall prepare an annual operation and maintenance report (Annual Report). This report shall include detailed information about the completed billing year's operation and maintenance of the Facility and current Facility conditions. The Annual Report shall be finalized by the Company and issued within 60 days after the end of the Fiscal Year. Company shall include in the Annual Report information, such as but not limited to, the following:

- Summaries of maintenance , repair and replacement activities.
- An assessment of the condition of the Facility, details of any modifications made (design details and as-built drawings) and an analysis of the effectiveness of any repairs, replacements, or upgrades.
- A summary of the information provided in the monthly reports, including a summary of the overall Facility performance and regulatory compliance.
- A summary of environmental, safety, and regulatory compliance.
- An assessment of outstanding issues, including any recommendations for changes to plant operations.
- Operating budget summary concerning budgetary performance of the Facility.
- Notable achievements, awards and/or any performance issues relating to the Facility.

2.4.3 Facility Inspections

The District or its authorized agents and representatives from the governing regulatory agency (e.g., RWQCB) reserves the right to visit or inspect the Facility at any reasonable time, including "blind" inspections without prior notice to the Company. The District or its authorized agents and representatives may call upon the Company at any time for an oral review of any matter pertaining to the Facility. The Company shall provide the District and/or authorized

agents and representatives adequate office working space during inspections and reviews as necessary.

The District or its authorized agents and representatives anticipate performing an annual inspection of the Facility that shall be scheduled at a time of mutual consent between the Company and the District or its authorized agents or representatives (“Annual Facility Inspection”). The purpose of this Annual Facility Inspection is to verify that Facility operations and maintenance is properly performed in accordance with this Agreement. At least two (2) weeks prior to the annual inspection, the Company shall submit to the District three (3) copies of the Company's Annual Report.

In the event that any such inspections reveal work not in accordance with the Agreement or a lack of repairs or necessary maintenance to the Facility or Facility facilities or Equipment, the District or its authorized agent shall bring to the attention of the Company such items and the Company shall perform the repairs and maintenance activities identified by the District in accordance with the terms and provisions set forth in the Agreement. Failure of the District to identify and notify the Company of any such deficiencies shall not relieve the Company of its obligations as established by the provisions of this Agreement.

The Company shall maintain all records of operating data and information relevant to the capital costs, operation, maintenance, management and related matters of the Facility, including accounting and financial records. The Company shall provide the District access to all such records upon reasonable request.

2.4.4 Operations Records

The Company shall maintain a computerized record keeping system for all operation and maintenance functions performed on the Facility. Records shall include, but not be limited to, records of Facility operation, operation and maintenance costs, maintenance procedures, emergency incidents, personnel, and inventory (Equipment and chemicals).

2.4.5 Monthly Meetings and Annual Report

The District and the Company shall meet at a minimum on a monthly basis at the Facility or other mutually agreed upon location to discuss the prior Monthly Report and Facility performance, including maintenance issues, Facility conditions, environmental and permit compliance, invoicing issues, public relations, and other relevant issues. Copies of documentation of these meetings shall be the responsibility of the Company and shall be distributed to all attendees. The Company shall provide Monthly Reports to the District of the previous month's operation and maintenance of the Facility by the 7th or other date, as applicable, of the current month. These status reports present the operating and maintenance and financial information for the previous month.

The Company shall also provide the District the Annual Report as further specified in Schedule 2.4.2.

2.4.6 Review at Expiration or Extension of Agreement

Prior to the final Contract Year of a Contract Term, including an extension, the District and Company shall mutually select an independent, technically qualified firm (“Auditor”) to conduct a complete Facility audit to determine the condition of the Facility. The cost of services provided by the Auditor shall be divided equally between the District and Company with the Company’s share of the cost of such services capped at \$25,000 escalated annually by the Blended Adjustment Index (BAI) of Schedule 8. The Auditor will conduct a detailed, comprehensive survey and inspection of the Facility to identify the physical and operational conditions and general status of repair of all Equipment, buildings, structures, pavements, grounds, utility lines, spare parts inventories, operation and maintenance records, etc. The Auditor will prepare a detailed report (“Auditor’s Report”) documenting the findings of the survey/inspection during the first six (6) months of the final Contract Year.

A draft version of the Auditor's Report will be provided to the District and Company for review and comment. In the case of disagreement between the District and Company as to the appraised condition of items or portions of the Facility, or estimated cost for repair, renewal, or replacement, the Auditor will make the final decision, which shall be binding to both parties.

Company shall maintain and the District and its authorized representatives shall have access to all books, documents, papers and records of Company which relate to this Agreement for the purpose of making audit, examination, excerpts, and transcripts for a period of three (3) years after final payment. Copies of applicable records shall be made available upon request. Payment for cost of copies is reimbursable by the District.

SCHEDULE 3 FACILITY PLANS

As part of the Services required by this Agreement, the Company shall be required to prepare several comprehensive plans which document the Company's and District's objectives of continuously improving Facility performance and cost effectiveness. This Schedule outlines the various plans that shall be required. It is recognized that information may not be available to provide all of the details necessary to develop a complete plan. The transition plan and draft customer service and emergency response plan shall be completed prior to the Commencement Date. All other plans shall be completed either thirty (30) or sixty (60) days after the Commencement Date, as applicable. The following plans shall be developed and maintained by the Company:

- Customer Service and Emergency Response Plan
- Staffing and Training Plan
- Operations and Maintenance Plan
- Safety and Security Plan
- Transition Plan
- Repair and Replacement Program

A comprehensive list (in electronic format) shall be maintained by the Company, accessible to the District, listing all plans, permits, reports and data that are maintained by the Company. Such list and plans shall be received annually, updated and so confirmed to the District. The electronic list of plans shall indicate the last update date.

3.1 DRAFT CUSTOMER SERVICE AND EMERGENCY RESPONSE PLAN

The Company shall respond promptly and in a reasonable manner to all customer odor complaints, and all other operational issues impacting facility performance or resulting in non-compliance with performance requirements and conditions established by this Agreement. Because of the nature of the consequences involved in an operating failure in the Facilities, it is necessary that a qualified Company employee be available during all non-working hours to receive and respond to emergency calls from the public. An employee on stand-by duty must arrange his/her schedule of personal activities so that he/she can be contacted within ten (10) minutes by telephone and can respond to an emergency within thirty (30) minutes after being notified.

The Company shall maintain a toll-free twenty-four (24) hour telephone number throughout the Term of the Agreement so that customers of the Facility can report odor complaints and emergencies. The Company shall notify the District of any activity, problem, or circumstance of which it becomes aware that threatens the safety, health or welfare of the customers of the Facility. The Company shall maintain a complete log with the start and end

date and time of all problems and emergencies identified and measures and response time taken by the Company to remedy such problems and emergencies.

The Company shall develop emergency operations procedures, including on-call backup capability to be utilized during an emergency event. As part of the emergency plan, emergency operations procedures shall be developed to address at a minimum:

- Chemical spills
- Personnel emergencies
- Fire and explosions
- Pipe, valve, or pump failure
- Equipment and Process Failure
- Power failure
- Acts of God (i. e., hurricanes, wind storms, and floods)
- Wastewater bypass discharges
- Emergency telephone numbers
- Emergency equipment inventory
- Records preservation including industrial waste sampling and monitoring
- Physical security
- Coordinating instructions with public safety agencies

3.2 STAFFING AND TRAINING PLAN

The Company shall provide staff qualified and experienced in the operation, maintenance, and management of wastewater treatment systems similar in nature and character to the Facility in accordance with the terms and conditions defined in the Agreement. The Company shall also provide additional third party support, on an as needed basis, to perform its duties and obligations of this Agreement. Such third parties shall be qualified for the specific services to be performed. The Company is responsible for maintaining the required number of staff and third party companies as deemed appropriate to operate, maintain and manage the Facility in accordance with the provisions and terms of this Agreement. The Company shall provide:

- Qualified management, supervisory, technical, operations and maintenance personnel.
- Duly licensed and certified personnel as required by the State of California hired or contracted by the Company to perform the services required.

- Office and clerical support staff.
- Technical support to provide on-call backup and process expertise for process control, instrumentation, troubleshooting, management, maintenance and Facility repair, emergency management, as necessary, to support operations and maintenance staff in performing the Services of this Agreement.

Within thirty (30) days after the Commencement Date, the Company shall submit to the District a Staffing Plan for the personnel requirements. The Company shall include, at a minimum, the following information, in accordance with the provisions of this Agreement:

- Organization chart
- List of all personnel assigned to the Facility, with contact telephone numbers
- Job classifications
- Numbers and job classifications of staff required for the first year operations and long-term operations
- Resumes of personnel employed within the Facility to demonstrate qualifications to perform assignment

3.2.1 Staffing Responsibilities

The Company shall provide adequate staff to meet the requirements of the NPDES Permit, maintain facility Equipment in proper and safe working order, meet reporting requirements, provide a safe workplace, maintain appropriate records of Equipment and process effectiveness and provide training as necessary for the effective and efficient operation and maintenance of the Facility. At the Company's sole option any or all of these services may be contracted with a private firm specializing in the needed service, subject to reasonable review and approval by the District, with such written approval provided within ten (10) business days and not unreasonably withheld. All other aspects of the Agreement shall remain in effect and the costs of such outside contracted services shall be the sole responsibility of the Company.

3.2.3 Training

The Company shall provide training programs for all personnel employed. Such training shall include, but not be limited to, wastewater process control, Equipment operation, repair, and maintenance, sampling and analytical procedures, regulatory requirements, supervisory skills, and safety and occupational health procedures. It is the District's and the Company's desire to maximize employment opportunities for existing personnel and build the employee skill base to fill future opportunities through skill and safety training. Initial operations shall include training and development of employees to meet the needs of the facility at the completion of the Upgrade Project and have a qualified and motivated staff to meet future facility requirements. The Company shall maintain records of all training programs.

It is the Company's desire to provide appropriate and adequate training to all employees of the facility as it relates specifically to the respective position. All new employees will receive training regarding the Company's personnel policies and regulations, as well as a copy of the Company's Employee Handbook that contains specific information regarding how the Company addresses many employment items.

General and site-specific safety training will be provided at the outset of operation of the facility by the Company. Safety of the people who perform the work in the facility shall be the first priority of the Company. Regional safety and industrial hygiene personnel will be brought to the facility to evaluate safety issues and recommend repair or procedures to mitigate the hazard. All personnel will receive training in relation to hazards identified as specific to this facility and in general wastewater treatment safety as required.

Team building training will also be implemented at an early phase of the project in order to build a stronger relationship with co-workers and management at the facility. The Company provides training and instruction to facilitate a cohesive workforce that improves moral and safety in the facility through cooperative work teams.

No later than ninety (90) days after the Commencement Date, the Company shall submit five copies of a draft Operator Training Plan (Training Plan) as an attachment to the Staffing Plan for review and comment by the District.

The District will review the draft Training Plan and return one (1) copy with comments and reasonable and acceptable corrections within thirty (30) days of the initial submittal. The Company shall submit five copies of a final version of the Training Plan incorporating requested changes and comments thirty (30) days following the return of the draft version.

3.3 OPERATIONS AND MAINTENANCE PLAN

The Company shall prepare and submit to the District for approval a comprehensive Operation and Maintenance Plan (O&M Plan) within sixty (60) days after the Commencement Date. The O&M Plan shall specify all procedures and tests to be conducted for the operation and maintenance of the Facility, inclusive of all facilities and Equipment. The O&M Plan shall be a comprehensive manual organized into separate sections addressing each of the unit processes involved, the overall Facility operation and control, auxiliary Facility Equipment, and grounds and building maintenance. At a minimum, this O&M Plan shall include the following:

- a. Routine maintenance schedule for all major systems and schedule of expected shutdowns.
- b. Copies of all permits, licenses, and other regulatory documents obtained for the Company's Services, if not previously submitted.
- c. Operation procedures for all major Equipment within the Facility during start-up, normal, alternate, and emergency operation modes.
- d. Equipment and Facility manufacturers/suppliers O&M manuals to be supplied, to the extent available, by the District for all existing Equipment.

- e. Forms and checklists to be used to monitor Equipment and process Facility operation and Preventive Maintenance.
- f. Monitoring and reporting requirements.
- g. Updates to the O&M Plan.

Each separate unit process, auxiliary Facility processes, grounds /buildings section of the O&M Plan shall include a detailed written explanation of the following:

- The process or Facility including its key components.
- The Facility function including its purpose and normal operating parameters.
- Equipment summary including nameplate data, supplier/local representative, and manufacturer.
- Description of instrumentation and control Facility, including an alarm summary.
- Description of normal Facility operations including startup and shutdown, adjustment of variable speed drives and settings, interface with other plant systems, routine monitoring checklists and record keeping forms.
- Maintenance, including Predictive and Preventive Maintenance for process functions, such as cleaning and hose down, flushing and inspection; mechanical functions, such as changing lubricating fluids and filters, checking rotating Equipment balance, and changing valve seals and packing; electrical functions, such as checking tightness of wiring terminal connections, exercising breakers, and recalibrating meters; instrument and control functions, such as sensor calibration; and structural maintenance, such as crack repairs and restoration of surface corrosion protection systems.
- Troubleshooting Facility malfunctions.

The District will review the draft O&M Plan and return one marked-up copy with comments and conditions for approval within thirty (30) days of the initial submittal. The Company shall submit five (5) copies of a final version of the O&M Plan incorporating the District's reasonable and acceptable changes and comments thirty (30) days following the return of the draft O&M Plan.

3.4 SAFETY AND SECURITY PLAN

The Company shall provide for and maintain security and safety of all facilities and structures contained within the Facility. The Company shall develop and submit to the District a safety plan within thirty (30) days after the Commencement Date. The Company shall be responsible and obligated to enforce all safety, security and health laws, rules, regulations, and/or procedures. Any and all persons entering the Facility shall be identified and provide appropriate documentation of authorization to have access to the Facility in conformance with Company's standard policies. The Company is responsible for providing the appropriate procedures to maintain a log of any and all persons accessing the Facility.

The structural integrity of the fences shall be maintained and kept in neat order. Gates, access points, and doors to the facilities and structures in the Facility shall be kept locked during non-business hours. Entrance to such facilities and structures shall be protected against unauthorized entry. The Company is responsible for maintaining all security alarms in working order. To the extent necessary, and as mutually determined by the District and the Company, the Company shall also propose, consistent with industry standards, the upgrade of, the Facility security and alarm systems during the Contract Term for review and authorization by the District. The District will provide funding for any such upgrades authorized by the District.

3.5 TRANSITION PLAN

Prior to the Commencement Date, the Company shall submit for District review and comment a plan for the transition of operations to the Company. Amongst other things, the plan shall address, at a summary level, the following topics:

- 1) Staffing approach, qualifications, and organizational structure (chart)
- 2) Permits and certifications
- 3) Transition of existing District systems
- 4) Key activities and priorities envisioned for the first thirty (30) and sixty (60) day time periods
- 5) Company expectations for District services and support at the Commencement Date
- 6) Any special circumstances or conditions

3.6 REPAIR AND REPLACEMENT PROGRAM

As outlined in Section 3.10 of this Agreement and Section 4.1.3G (Operations and Maintenance Plan) of the RFP Document, a formalized Repair and Replacement Program shall be developed by the Company (with District input) during the first year of the Agreement. The Repair and Replacement Program shall be mutually agreed to and address a five (5) year timeframe and be updated annually by the Company. Once the Repair and Replacement Program is developed and accepted by the District, the District shall be responsible for the provision of the funding specified in the resultant plan and will authorize specific Facility Modifications and other activities for implementation by the Company as outlined by the Repair and Replacement Program. An outline of the envisioned Repair and Replacement Program, shall be included within the O&M Plan, and shall present the Company's approach for repairs and replacements to comply with the Agreement. Throughout the Term of the Agreement, the District shall be responsible for budgeting the funds for the Repair and Replacement Program and for authorizing projects that are paid for by the District budgeted fund.

**SCHEDULE 4
WASTEWATER TREATMENT FACILITY**

The Company is responsible for the Services defined in Schedules 1, 2, and 3 and set forth in the Agreement. The following description presents the various components which comprise the Facility, and a description of existing operational conditions.

4.1 WASTEWATER TREATMENT FACILITY

The District owns the land, buildings, and Equipment that constitutes the Facilities of this Agreement. Schedule 4.3 provides schematics of the existing Facility and the Upgrade Project. The Facility currently treats approximately 4.72 MGD average annual flow and 11,307 lbs./day of BOD and 20,181 lbs./day of TSS on a twelve (12) month average using data from April 1, 2008, to March 31, 2009 as displayed in Table S4-1.

Table S4 – 1: Flow and Loadings Twelve Month Averages

Month	Flow, mgd	Influent BOD, mg/l	Influent BOD kg/day	Influent TSS, mg/L	Influent TSS, lbs/day
Apr-08	4.50	315	5190	623.6	10469
May-08	4.32	491	7866	719.1	11639
Jun-08	4.14	600	9276	754.7	11660
Jul-08	4.00	582	8698	1006.1	15130
Aug-08	3.99	349	5242	693.8	10386
Sep-08	3.90	266	3871	698.1	10094
Oct-08	3.92	242	3582	460.3	6796
Nov-08	4.34	198	3171	457.4	7343
Dec-08	4.53	182	2911	424.5	7038
Jan-09	4.29	265	4220	378.3	6029
Feb-09	8.26	170	4124	231.1	6288
Mar-09	6.44	136	3398	286.8	6979
Averages	4.72	316.33	5129.08	561.15	9154.25
	4.72 mgd		11,307 lbs /day		20,181 lbs / day

The data of table S4-1 covers the time that the Ignacio Treatment Plant effluent was going to the Novato Plant and it also includes return flows from the thickener and Biosolids storage ponds.

Relocation of the influent sampling location and new meters necessitates a correlation of new data measurements with those taken during the twelve month period indicated above in Table S4-1 as discussed in Schedule 2.

The Facility is currently designed and permitted for a total of 6.55 MGD average dry weather flow for the two plants as detailed in Schedule 1. Currently the Ignacio Treatment Plant effluent is pumped to the Novato Treatment Plant for further treatment prior to discharge.

The Facility following the Upgrade Project is designed for the following:

Average dry weather Flow – 7.0 MGD

Average Annual Flow (AAF) - 7.8 MGD

Average Wet Weather Flow - 10.3 MGD

Peak Wet Weather Flow, Max Day (PWWF) - 30.7 MGD

Peak Week - 17.7 MGD

Normal Peak 3-hour Flow - 34.6 MGD

Max Peak 3-hour Flow - 52.0 MGD

Maximum dry weather month BOD – 16,800 lbs

Maximum dry weather month TSS - 20,200 lbs

The Facility treats wastewater from various industries along with domestic wastewater. Industries that contribute to the Facility influent have variable wastewater flows and characteristics and are subject to the District's IPP ordinances and requirements.

The District has industrial pre-treatment regulations and the required sampling, inspection, and enforcement programs.

4.2 PUMP STATIONS

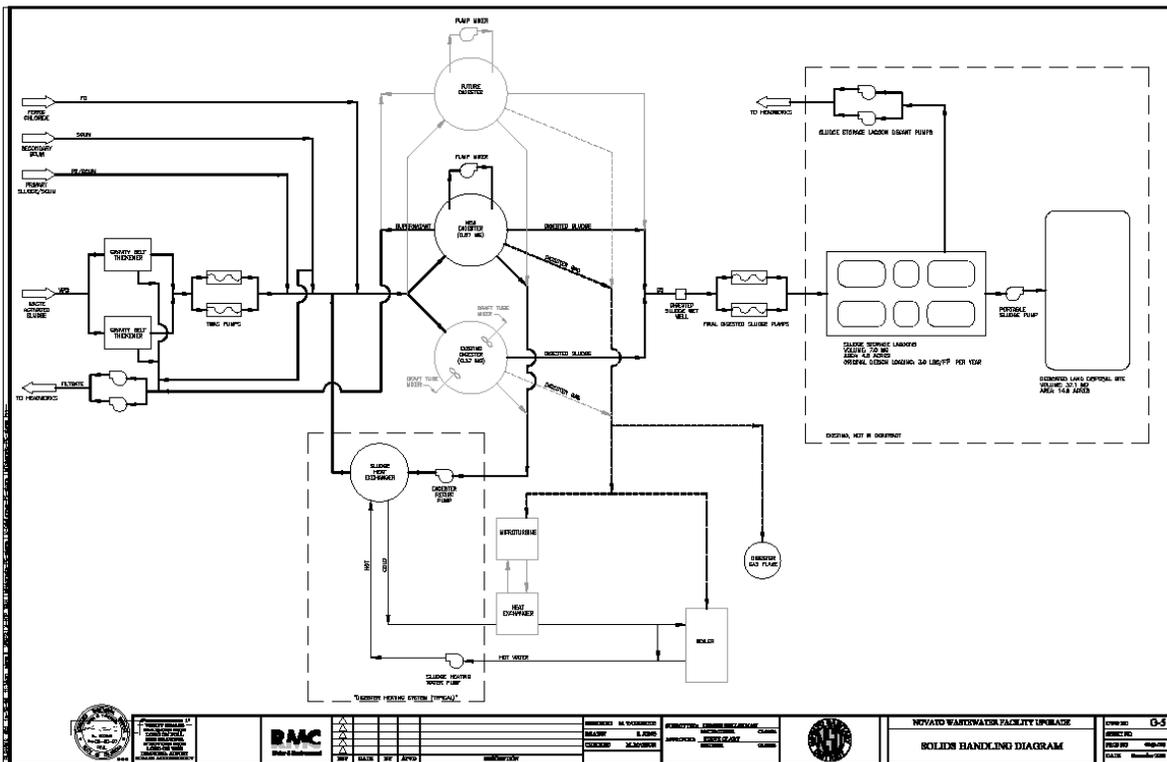
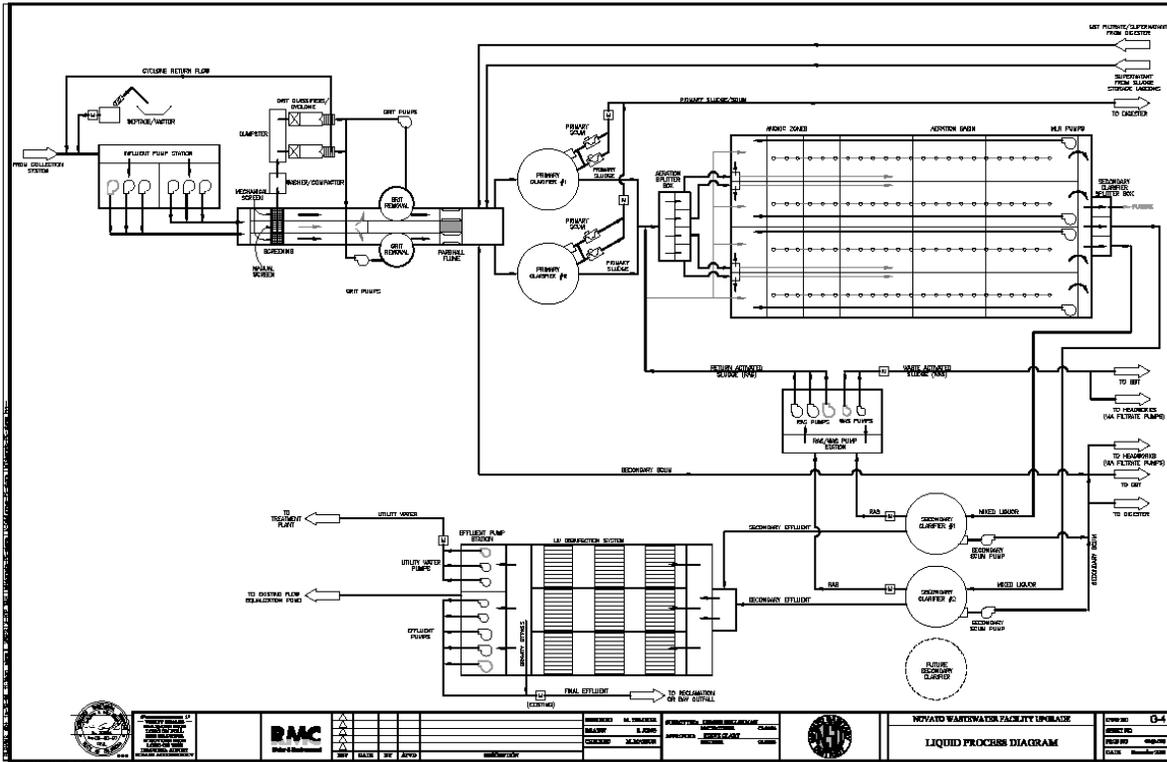
The Company shall be responsible for the Ignacio Transfer Pump Station (ITPS) and the Decant (supernatant) pump station at the District's reclamation/Biosolids storage facilities only. All other pump stations shall be the responsibility of the District.

4.3 FACILITY SCHEMATICS

a. Existing Facility

b. Upgrade Project

Note: RMC schematics for liquid and solids handling facilities to be inserted here.



**SCHEDULE 5
TRANSITION PLANS FOR 14 AREAS**

- A) Summary List of Tasks (Appendix E of Request for Proposal)
- 1) Standard Operating Procedures (SOP's)
 - 2) Preventive Maintenance (PM) program to include:
 - Maintenance
 - Predictive
 - Baseline Conditions
 - Initial O&M Plan
 - Budget & Plan
 - Spare Parts
 - 3) Computerized Maintenance Management System (CMMS)
 - 4) Procedures for Equipment warranty protection
 - 5) Operating records and reporting
 - 6) Training: Safety, process (normal and unusual conditions), troubleshooting
 - 7) Maintenance standards
 - 8) Development of job cost system, accounting system, and asset hierarchy system
 - 9) Key Performance Indicators (KPI's): operations, maintenance, personnel
 - 10) Startup planning and implementation of plan
 - 11) Initial budget: next two years and new plant O&M
 - 12) Staffing: skill sets, augmentation for startup, long term
 - 13) Plan elements for first year status and review for new facilities and operations
 - 14) Process Control Plan

B) Summary of Company's Transition Program Elements
 The chart provided below is a summarized approach that details the Company's transition elements to meet the fourteen (14) items listed above:

Transition Elements	Summarized Approach	District Involvement
1. SOPs	Identify SOP needs, prioritize, develop, train staff. SOPs will include, where appropriate, photo documentation.	Review and comment within 15 working days of receipt from Company.
2. Preventive Maintenance (PM) Program will include: - Maintenance - Initial O&M Plan - Predictive Maintenance - Budget & Plan - Baseline Conditions - Spare Parts	Use CMMS (JOB Cal Plus) program to record baseline condition assessments, as well as preventive and corrective work orders for all assets. Spare parts will be inventoried and entered in CMMS. Work order priorities will be set. Maintenance costs will be tracked in the CMMS.	Review and comment within 15 working days of receipt from Company.

Transition Elements	Summarized Approach	District Involvement
inventory		
3. Computerized Maintenance Management System (CMMS)	Install JOB Cal Plus. System hierarchy will be set and entered into Job Cal Plus.	Provide overview to District staff interested in becoming familiar with JOB Cal Plus.
4. Procedures for Equipment Warranty Protection	Review existing Equipment O&M manuals. Required warranty tasks will be entered and scheduled into Job Cal Plus.	Review and comment within 15 working days of receipt from Company.
5 Lab Data and Usage	Provide capability to enter laboratory data into the Company's operating data management system and produce required regulatory report submittals to the District for electronic reporting. Any modifications required to customize the District's system for sampling, analysis, and reporting requirements including the capability to submit monitoring data will be the responsibility of the Company but must be coordinated and reviewed with the District prior to implementation.	Review and submit reports electronically. Provide Company with hard or electronic copy of information for entry into our system.
6 Operating Records and Reporting	Establish standardized record and reports maintenance program.	Review and comment within 15 working days of receipt from Company.
7 Training: Safety, Process (normal and unusual conditions)	Conduct training on a routine basis and as needed for new process implementation. Safety reminder occurs at most meetings	District staff invited to participate in training.

Transition Elements	Summarized Approach	District Involvement
8 Troubleshooting	and regularly on a monthly basis. As conditions that could jeopardize employee safety arise, special briefings will be held. In addition, should an accident occur, a Root Cause Analysis will be held with senior Company staff and the findings shared with project staff to implement best practices and avoid a recurrence of the incident.	May access through review of JOB Cal Plus data.
9 Maintenance Standards	Establish standards and requirements that, along with manufacturer warranties and other information, serve as the basis for PM frequency.	Review and comment within 15 working days of receipt from Company.
10 Development of Job Cost System, Accounting System, and Asset Hierarchy System	Review existing Asset hierarchy and then modify and expand to have 100% coverage of all assets.	Review and comment within 15 working days of receipt from Company.
11 Key Performance Indicators (KPIs): Operations, Maintenance, Personnel	Use Job Cal Plus (CMMS) standard KPI reports. Company will work with District staff to modify or design new KPI reports to meet the District's requirements.	Review and comment within 15 working days of receipt from Company.
12 Startup Planning & Implementation of Plan	Use the transition matrix, a preliminary version of which will be provided at startup. Specific tasks have been developed for each discipline and can be modified as additional information becomes available.	Review and comment within 15 working days of receipt from Company. Regular meetings with District staff to be held to monitor startup progress and issues.
13 Initial budget: next two years and new plant O&M	Develop draft budget based on price submitted with the Proposal.	Review and comment within 15 working days of receipt from Company.

Transition Elements	Summarized Approach	District Involvement
14 Staffing: skill sets, augmentation for startup, long term	Conduct employee skills assessment and establish development plan for each employee as needed to enhance or expand existing skill set.	Review and comment within 15 working days of receipt from Company.
15 Plan Elements for First-Year Status and Review for new facilities and operations	Develop O&M procedures including startup, normal and emergency operations.	Review and comment within 15 working days of receipt from Company.
16 Process Control Plan	Implement the Company standard PCMP program. Implement daily data input and weekly process control meetings.	Review and comment within 15 working days of receipt from Company. District staff have a standing invitation to participate in weekly process control meetings as they see fit.
17 Phase Out of Existing Facilities	Develop listing of existing Equipment to be phased out and develop plans for removing them from service.	Review and comment within 15 working days of receipt from Company.
18 Startup of New Facilities	Startup new Facilities utilizing O&M Manuals, established procedures, and available resources.	Review and comment within 15 working days of receipt from Company.
19 Develop Training Activities	Develop routine training schedule in addition to the phase-out of old Equipment and processes and phase-in of new Equipment and processes.	Review and comment within 15 working days of receipt from Company.
20 Perform Scheduled Maintenance on Infrastructure	Use manufacturer suggested maintenance schedules to guarantee Equipment warranties.	Review and comment within 15 working days of receipt from Company.
21 Perform Maintenance Repairs on Infrastructure Components	Use manufacturer suggested maintenance schedules to guarantee Equipment warranties.	Review and comment within 15 working days of receipt from Company.
22 Maintaining O&M	Use manufacturer suggested	Review and comment

Transition Elements	Summarized Approach	District Involvement
Records on Infrastructure Components	maintenance schedules to guarantee Equipment warranties.	within 15 working days of receipt from Company.
23 Maintain Inventory & Records for Consumable Supplies	Develop a tracking form to be completed monthly.	Review and comment within 15 working days of receipt from Company.
24 Grounds Maintenance, include solid waste removal	Schedule grounds maintenance and aesthetics on the monthly Safety Inspection Checklist.	Review and comment within 15 working days of receipt from Company.
25 Equipment and Chemical Inventories	Develop a tracking form to be completed monthly.	Review and comment within 15 working days of receipt from Company.
26 SCADA System Capabilities and Integration with CMMS, operations and laboratory systems.	Review SCADA system and development of runtime based PMs.	Review and comment within 15 working days of receipt from Company.
27 Personnel Transition	Meet with potential employees, and employee spouses at an after-hours gathering. Initial daily meetings, then reduce to two or three per week.	Review and comment within 15 working days of receipt from Company.
28 Union Contract Negotiations	Conduct negotiations with union.	Review and comment within 15 working days of receipt from Company.
29 Obtain Required Insurance and Bonds	Provide information within required timeframe.	Review and comment within 15 working days of receipt from Company.
30 Develop Emergency Response Plans	Develop plans and train staff within the first 30 days.	Review and comment within 15 working days of receipt from Company.
31 Retain Necessary Staff	Retain staff as required by Request for Proposal conditions.	Review and comment within 15 working days

Transition Elements	Summarized Approach	District Involvement
32 Obtain All Necessary Governmental, Regulatory and Union Permits and Approvals required for commencement of operations.	Obtain Board of Certification private license.	of receipt from Company. Review and comment within 15 working days of receipt from Company.
33 Sign Agreement and Deliver Guaranty	Complete process in timely manner.	Review and comment within 15 working days of receipt from Company.
34 Deliver legal opinion from Counsel to the Company and Project Guarantor as to corporate status, no conflict, no material litigation, and the valid, binding, and enforceable nature of the agreement	Participate by providing information and data.	Review and comment within 15 working days of receipt from Company.
35 Acceptance Tests of Capital Equipment	Document acceptance testing process and findings.	Review and comment within 15 working days of receipt from Company.
36 Maintenance Equipment Warranties	Review and use manufacturer suggested maintenance schedules to guarantee Equipment warranties.	Review and comment within 15 working days of receipt from Company.
37 Repair Replacement Tracking Form	Provide for critical Equipment.	Review and comment within 15 working days of receipt from Company.
38 Submittal of Monthly Report on Reimbursement	Develop for monthly submission.	Review and comment within 15 working days of receipt from

Transition Elements	Summarized Approach	District Involvement
Expenses out of the R&R Fund		Company.
39 Annual Overage of R&R Proposal & Annual Recommendation for Major R&R	Track and finalize overage. Format to be established with annual recommendations forwarded to District.	Review and comment within 15 working days of receipt from Company.
40 Transition Costs Tracking	Track qualified items and present final cost to District.	Review and comment within 15 working days of receipt from Company.
41 Pass Through Costs Tracking	Track qualified items and present final cost to District.	Review and comment within 15 working days of receipt from Company.
42 Flow & Load Tracking	Review sampling sites for representative sample site labeling, and SOP development followed by 12-month period of documentation for baseline determination. Track items and present final values to District.	Review and comment within 15 working days of receipt from Company.

**SCHEDULE 6
GUARANTEE**

This Guarantee made as of the 28 day of September, 2009, by Veolia Water North America Operating Services, LLC ("Guarantor"), having its principal place of business at 200 East Randolph Street, Suite 7900, Chicago, Illinois 60601 to and for the benefit of the Novato Sanitary District of Novato, California ("District").

WITNESSETH:

WHEREAS, Veolia Water West Operating Services, Inc., holding California State Contractor License 866429, a Delaware corporation (the "Company"), having an office at 2300 Contra Costa Blvd., Suite 350, Pleasant Hill, CA 94523, has entered into an Agreement for Operations, Maintenance and Management Services (the "Agreement") with the District dated as of September _____, 2009 pursuant to which the Company shall operate, maintain and manage the District's Facility.

WHEREAS, Guarantor is willing to guarantee, as set forth below, the performance of the Company under the Agreement; and

WHEREAS, the District would not enter into the Agreement unless the Guarantor provided this Guarantee;

NOW, THEREFORE, as an inducement to the District to enter into the Agreement, Guarantor agrees as follows:

1. Guarantor hereby absolutely and unconditionally guarantees the full and prompt payment and performance by the Company of all of the Company's obligations under the Agreement, as when due, and in accordance with the terms and conditions therein; provided, however, the Guarantor's liability under this Guarantee shall in no event exceed thirty million dollars (\$30,000,000) in the aggregate, regardless of whether the action of recovery of damages is sought against the Company and/or the Guarantor is based on contract, tort (including, without limitation, active or passive negligence, gross negligence, intentional misconduct, and strict liability), indemnity, statute, or otherwise.

2. This Guarantee shall be governed by the laws of the State of California exclusive of the choice of law rules thereof, and Guarantor hereby agrees to the service of process in California for any claim or controversy arising out of this Guarantee or relating to any breach hereof, and to submit to the exclusive jurisdiction of any court of competent jurisdiction in the State of California in connection therewith.

3. This Guarantee shall be binding upon and enforceable against the Guarantor, its successors, or assigns and legal representatives (including any successor by merger or consolidation or any transferee of all or substantially all of the properties of Guarantor), whether or not such obligations are expressly assumed by such successor, assignee or transferee and is for the benefit of the District, and any permitted successors and assigns under the Agreement.

4. This Guarantee may be enforced by the District without first resorting to any action against Company or exhausting any other remedies that the District may have; provided, however, the District shall give the Company notice prior to exercising its rights and remedies hereunder against the Guarantor.

5. Each and every Event of Default under the Agreement shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder by the District as each cause of action arises. Guarantor waives presentment and demand for payment of the obligations, any demand for payment under this Guarantee, until the obligations are fully performed and paid in full and any right of subrogation to any of the District's rights against the Company.

6. No failure or delay by the District in exercising any right, power or privilege hereunder or under the Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other right, power or privilege. No waiver, amendment, release or modification of this Guarantee shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by both Parties.

7. Guarantor shall not assign its obligations hereunder without the prior written consent of the District, which consent may be given or withheld in the District's sole discretion.

8. The obligations of Guarantor to the District set forth in this Guarantee are absolute and unconditional, shall not be subject to any requirement that District first enforce any remedies it may have against the Company or any other person, or any requirement to seek to recover from Company hereunder before proceeding against Guarantor hereunder, and shall not be subject to any claim of Guarantor against any other person including the District.

9. During such times as this Guarantee shall be effective, the Guarantor agrees: promptly to furnish the District from time to time with such information in such form, concerning the financial condition of the undersigned, as the District may reasonably request; and (ii) promptly to notify the District of any condition or event which constitutes, or would constitute with the passage of time or giving notice or both, an Event of Default (as defined in the Agreement).

10. This Guarantee may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. The invalidity or unenforceability of one or more provisions of this Guarantee shall not affect the validity or enforceability of the remaining portions of this Guarantee. This Guarantee is entered into by Guarantor solely and exclusively for the benefit of the District and any subsequent owners of the Facility, and may be enforced against Guarantor by the District and any subsequent owners of the Facility.

11. Any term used not otherwise defined herein and defined in the Agreement, shall have the meaning attributed to it in the Agreement.

12. Notices given pursuant to this Guarantee unless otherwise stated shall be in writing and shall be served personally or sent by certified mail, return receipt requested, to:

Guarantor at: Veolia Water North America Operating Services,
LLC

If by Mail: 200 East Randolph Street, Suite 7900
Chicago, Illinois 60601

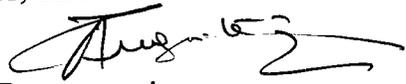
If by Hand: Same as above.

District at: Novato Sanitary District, Novato, California
500 Davidson Street
Novato, CA 94945

or to such other address as shall be designated by such party in a written notice to the other party hereto. Any notice given pursuant to this Section if transmitted by certified mail shall be effective immediately upon receipt and if delivered by hand upon delivery.

IN WITNESS WHEREOF, Guarantor has executed this instrument the day and year first above written.

ATTEST: Veolia Water North America Operating
Services, LLC

By: 
Entity Representative

ACCEPTED: Novato Sanitary District

By: 
District Representative

1297556.1

SCHEDULE 7 INSURANCE

7.1 WORKERS COMPENSATION

Worker's Compensation insurance in compliance with California requirements. All employers, including Contractor, that employ subject workers who work under this Contract in the State of California shall comply with these requirements and provide the required Worker's Compensation coverage. Employers Liability will have minimum limits for bodily injury by accident of \$2,000,000 per accident and for bodily injury by disease with a \$2,000,000 policy limit and \$2,000,000 per employee.

7.2 COMPANY'S COMMERCIAL GENERAL LIABILITY

Coverage shall apply to premises and/or operations, products and/or completed operations, independent contractors, contractual liability, and broad form property damage exposures with minimum limits of \$5,000,000 per occurrence, and \$10,000,000 general aggregate.

7.3 COMPANY'S COMMERCIAL AUTOMOBILE LIABILITY

Coverage shall apply to owned vehicles and/or hired and non-owned vehicles and employee non-ownership use with minimum limits of \$5,000,000 CSL (combined single limit).

7.4 COMPANY'S ENVIRONMENTAL IMPAIRMENT INSURANCE

Coverage shall be \$ 2,000,000 per claim and \$10,000,000 excess.

7.5 COMPANY'S CERTIFICATE OF INSURANCE

The District shall be listed as a certificate holder and all of its officials, officers, employees, agents and volunteers shall be listed as additional insured with respect to Commercial General Liability, Commercial Automobile Liability, and Environmental Impairment Insurance. The Company shall provide the District with a signed certificate(s) (both electronically and original) and all applicable and required endorsements shall be on file with and approved by the District risk manager by the Commencement Date. Said certificate shall evidence the required coverages and amounts as contained herein and provide the following notices in the event of cancellation for non-renewal or non payment: (i) all liability policies (excluding Environmental Impairment) shall provide for a ninety (90) day notice of cancellation for non-renewal or ten (10) days notice for non-payment of premium; and (ii) Environmental Impairment shall provide for a sixty (60) day notice of cancellation for non-renewal or ten (10) days notice for non-payment of premium. Annual renewals and submittals shall be as described elsewhere in this Agreement.

7.6 DISTRICT'S PROPERTY INSURANCE

The District shall maintain all risk property damage insurance on the Facility and Equipment owned by the District and operated by the Company under this Agreement. Any

property of the District not properly or fully insured shall be the financial responsibility of the District. Any damage to District property or Equipment as a result of the Company's fault shall be the Company's responsibility to the participatory extent of its fault. Such policy shall include a waiver of any subrogation rights to pursue claims against the Company and, to the extent possible, name the Company as an additional insured.

7.7 COMPANY'S INSURANCE PASS THROUGH COST

Company will, at District's request, demonstrate that the costs of insurance provided as Pass Through Costs, are at competitive marketplace rates for comparable coverage from insurance carriers of similar A.M. Best ratings. Such demonstration may include the Company obtaining comparable premium quotes from third party insurance carriers of similar A.M. Best ratings as the insurance company used by the Company on the Contract Date, for the Insurance specified herein

If required as a result of a claim or loss for which an indemnification is owed to the District by Company or to which the Company's insurance would otherwise be applicable, the Company shall also supply the District District's designated legal counsel with certified copies of applicable insurance policies that are providing the specified coverages of this Schedule 7.

SCHEDULE 8 COST ADJUSTMENT AND ESCALATION INDICES

The annual Service Fee paid to the Company under the terms of this Agreement shall be adjusted annually using the Blended Adjustment Index (“BAI”) as further defined in this Schedule 8 to establish the “adjustment factor” of Section 8.1. Annual changes in flow and/or loadings exceeding +/- 20% shall be treated as a Change in Scope of Services and the Service Fee adjusted using the specified formulas of this Schedule 8.

As specified in Schedule 14, the Company has proposed a first year annual Service Fee (Service Fee A) for existing operations and transitions until such time as the new Facilities are all completed and on-line. At that time, the Company and the District have agreed to a revised Service Fee (Service Fee B) for the continuation of Company Services described in this Agreement. Service Fee A and B are currently specified in year 2009 dollars and shall be adjusted annually by the BAI to establish the then current year Service Fee. The Company has also specified Usage Caps (Schedule 11) for utilities and diesel fuel for the initial operating period (Cap A) and usage after transition to the new Facilities (Cap B). The Company has further agreed that no additional costs shall be charged to the District for the fourteen (14) Area Transition and Startup Tasks requested by the District and listed in Schedule 5 of this Appendix A.

The Company shall provide the District an overall budget estimate (Service Fee total, Pass Through Costs detail) prior to the start of each Fiscal Year.

8.1 ANNUAL SERVICE FEE ADJUSTMENT FOR BLENDED ADJUSTMENT INDEX FOR ANNUAL INFLATION ADJUSTMENT (BAI Index)

Beginning June 30, 2010, until the expiration or earlier termination of this Agreement, the Service Fee shall be adjusted annually, such adjustment becoming effective on July 1 of each calendar year starting with July 1, 2010. The Blended Adjustment Index (BAI) is comprised of the following:

- (a) 65% of the year-to-year change in the Consumer Price Index, All Urban Consumers (“CPI-U”), as published by the United States Department of Labor, Bureau of Labor Statistics Not Seasonally Adjusted, US City Average, Series ID: CUUR0000SA0.

Plus

- (b) 27% of the year-to-year change in the Employment Cost Index (“ECI”) as published by the United States Department of labor, Bureau of Labor Statistics Not Seasonally Adjusted Table 4, Compensation – Civilian Workers – Service Occupations.

Plus

- (c) 8% of the year to year change in the Producer Price Index (“PPI”) as published by the United States department of labor, Bureau of Labor Statistics Not Seasonally Adjusted, Chemicals and Allied Products – Series ID: WPU06.

For purposes of this Agreement, the indices applicable to the calculation of the annual adjustment to the Service Fee shall be the indices published beginning with the month of **April**.

Where as:

A = Blended Adjustment Index (“BAI”)

B = CPI-U Escalation Adjustment Factor

C = ECI Escalation Adjustment Factor

D = PPI Escalation Adjustment Factor

B1 = Previous Year CPI-U Index of the prior Agreement Year
(April to March average)

B2 through B12 = the monthly CPI-U Index reported since the B1 month

C1 = Previous Year ECI Index of the prior Agreement Year (April to
March average)

C2 through C12 = the monthly ECI Index reported since the C1 month

D1 = Previous Year PPI Index of the prior Agreement Year
(April to March average)

D2 through D12 = the monthly PPI Index reported since the D1 month

Calculation:

B = Numerator (Year Just Ended) is the Arithmetic Sum of B1 thru B12)
divided by

Denominator (Prior year) is the Arithmetic Sum of B1 thru B12 for Prior Year

C = Numerator (Year Just Ended) is the Arithmetic Sum of C1 thru C12)
divided by

Denominator (Prior year) is the Arithmetic Sum of C1 thru C12 for Prior Year

D = Numerator (Year Just Ended) is the Arithmetic Sum of D1 thru D12)
divided by

Denominator (Prior year) is the Arithmetic Sum of D1 thru D12 for Prior Year

$$A = 1 + (B+C+D)$$

$$\text{Adjusted New Service Fee} = \text{Old Service Fee} \times A$$

Example:

Existing Service Fee = \$ 1,000,000

$$B = (1295 - 1250) \text{ divided by } 1250 \times .65 = .0234$$

$$C = (1150 - 1100) \text{ divided by } 1100 \times .27 = .0123$$

$$D = (1005 - 970) \text{ divided by } 970 \times .08 = .0029$$

$$A = 1 + (B+C+D) = 1 + (.0234 + .0123 + .0029)$$

$$A = 1 + (.0386)$$

$$A = 1.0386$$

$$\text{Adjusted Service Fee} = \$ 1,000,000 \times 1.0386 = 1,038,600$$

Provided, however, that if any of such indices or prices is not available at any time that the Annual Service Fee Adjustment for Inflation Index is to be calculated, the calculation shall be made using the Consumer Price Index (CPI-U) as the mutually agreed upon comparable index.

8.2 FLOW & LOADINGS ADJUSTMENT

The Service Fee provided to the Company (Schedule 14) and the maximum utilities and diesel fuel usage quantities CAPs (Schedule 11) to be paid by the District shall be adjusted whenever the twelve-month moving average for wastewater flows and/or loadings falls outside the +/- 20 percent range established for this Agreement. The initial Service Fee established by the Company and the maximum utilities usage and diesel fuel quantities cap specified for payment by the District is for the flows and loadings as specified below in section 8.2.1. The methodology for adjusting the Service Fee and for establishing the adjusted maximum utilities quantities usage cap shall be as specified in Schedule 8.2.2 below.

8.2.1 Initial Contract Basis

Table S2-1 Wastewater Influent Average ¹	
Parameter	12-Month Average (April 1, 2008, to March 31, 2009)
Flow, mgd	4.72

BOD ₅ , lbs/day **	11,307 lbs / day
TSS, lbs/day **	20,181 lbs / day

¹Average of monthly average values over a 12-month period

** Both the Company and the District acknowledge that the relocation of the Novato Treatment Plant (NTP) influent sampler to a new location during July 2009 will result in reduced loading measurements as the previous influent sampler location included recycle flows as well as the Ignacio Treatment Plant effluent. The Company and the District shall cooperatively work to develop a correlation methodology for the loadings at the new location and subsequently develop an updated loadings profile and number for the BOD lbs / day and TSS lbs / day. Such correlation and revised lbs / day to be completed within thirteen (13) months following the completion of the upgrades relocating sampling locations and equipment and commissioning of new Facilities (final Acceptance of all new Facilities). Substitution of the revised / updated BOD and / or TSS loadings number shall not result in any revision to existing compensation unless the current twelve (12) Month Average provided in Table S2-1 reflects the required +/- 20% change.

8.2.2 Adjustment Methodology.

Service Fee costs adjustments for flows and/or loadings greater than twenty percent (20%) above or below those defined above (on a twelve (12) month moving average basis) will be documented by the Company and reimbursed at the current documented costs for Service Fee and Pass Through Cost usages and costs. The examples that follow provide the methodology for adjusting the Service Fee for flow/loading adjustments and for updating the maximum utilities usage quantity cap that the District shall provide and pay for.

INFLUENT WASTEWATER QUANTITY -- i.e. FLOWS

If influent wastewater flows vary beyond the +/- twenty percent (20%) range described above, the corresponding change to the Service Fee and any change to the Pass Through Costs is calculated as presented below.

For twelve (12) month average flows greater than 20% above or below 4.72 MGD a cost adjustment of \$12,711/MG will be extended. For example if the twelve (12) month average flow drops to 3.72 MGD, the cost adjustment made would be: $(4.72-3.72) * \$12,711 = \$12,711$

Thus a credit in this amount would be extended to the District in the form of a Service Fee credit.

Electricity adjustments are proposed at 849,720 kWh/MG/year and natural gas adjustments at 4,526 therms/MG/year. No fuel adjustments would be necessary.

INFLUENT WASTEWATER CHARACTERISTICS

If influent wastewater characteristics vary beyond the +/- 20% range described above, the corresponding change to the Service Fee and any change to the Pass Through Costs for each parameter is specified below.

BOD:

For 12 month average BOD loading greater than twenty percent (20%) above or below 11,307 lbs/day a cost adjustment of \$1,952/1,000 lbs/year will be extended. For example if the twelve (12) month average loading drops to 9,307 lbs/day the cost adjustment made would be:

$$((11,307-9,307) / 1,000) * \$1,952 = \$3,904$$

Thus a credit in this amount would be extended to the Novato Sanitary District in the form of a Service Fee credit.

Electricity adjustments are proposed at 161,100 kwh/1,000lbs BOD/year and natural gas adjustments at 1,889 therms/1,000 lbs BOD/year. No fuel adjustments would be necessary.

Total Suspended Solids:

For 12 month average TSS loading greater than twenty percent (20%) above or below 20,181 lbs/day, a cost adjustment of \$2,071/1,000 lbs/year will be extended. For example if the twelve (12) month average loading drops to 17,181 lbs/day the cost adjustment made would be:

$$((20,181-17,181) / 1,000) * \$2,071 = \$6,213$$

Thus a credit in this amount would be extended to the District in the form of a Service Fee credit.

Electricity adjustments are proposed at 32,220 kwh/1,000 lbs TSS/year and natural gas adjustments at 1,059 therms/1,000 lbs TSS. No fuel adjustments would be necessary.

Note – The upgraded facility design capacity for TSS is 20,200 lbs/day and an increase of 20% would put the influent TSS loading to the facility beyond the design capacity. As such any upward adjustment (+20%) would likely not be possible without special considerations or treatment.

TOTAL EFFECT

This section describes the methodology for calculation of the total effect if all three (3) parameters change, as opposed to changes for individual parameters.

In the event that two or more of the parameters above increase or decrease to values outside the twenty percent (20%) range, each parameter which has changed will be given equal weight in determining the cost adjustment calculation. For example if both the flow example and BOD example above are used as a Total Effect example, both would be given equal weight and averaged. Thus for this example:

$$(\text{Flow credit of } \$12,711 + \text{BOD credit of } \$3,904) / 2 = \$8,308 \text{ credit}$$

The same averaging procedure would be followed if all three parameters were triggered.

Electricity and natural gas Pass Through Cost adjustments **will** be handled in the same manner

Notes:

- (1) It is the intent of the District to utilize these adjustment methodologies as a “change in scope of service” and adjust the Service Fee and Pass Through Costs should the annual average of influent wastewater characteristics (flow, loadings) vary significantly, using the “12 month moving average” during the Term of the Agreement. The adjustment will be made at the

beginning of the next Fiscal Year with the adjustment date made retroactive to the date when the “12 month moving average” exceeded (+/-) twenty percent (20%) of the baseline amounts for Flow, BOD, or TSS.

- (2) Except for Pass Through Costs, permanent adjustments will be made to the Service Fee, as appropriate, if the changes result in a permanent change.

Note that the above proposed adjustment criteria has been developed based upon the operation and maintenance of the Facility as existing following the Upgrade Project.

SCHEDULE 9 PERMITS

9.1 RESPONSIBILITIES

The Company shall be responsible for renewing and/or obtaining and maintaining all applicable federal, State and local approvals, licenses, permits (excluding NPDES, air quality, and stormwater), and certifications required for performing the Services in accordance with the terms and provisions of this Agreement.

The Company shall be responsible for preparing all applicable reports in compliance with federal, State and local requirements for submission by the District to the appropriate agencies.

Except as otherwise specified in Section 5.2.4, the Company shall comply with, satisfy, and pay all costs (excluding Capital Costs) and/or fees associated with all regulatory requirements pertaining to the permits (excluding the NPDES Permit, Air Quality permit, and WDR permit), but not limited to, public notification in the event of non-compliance with wastewater treatment standards.

The Company shall comply with all applicable federal, State, and local laws and regulations pertaining to the Facility and shall comply with all permits governing the performance of its Services hereunder issued for or with respect to the Facility. In the event that during the Term of the Agreement, an existing permit must be renewed, or additional permits required, the Company shall be responsible for obtaining the permit(s), including the completion of the required application forms, supplying required data, and payment of required fees for such permits and permit renewals. All permit renewals shall be in the name of the District as the permittee. This provision shall not be construed to require the Company to make repairs beyond those required by the terms and provisions of this Agreement.

The Company shall operate the Facility to meet the requirements of all permits identified including the NPDES Permit requirements provided in Appendix B.

Permit Requirements

The Company will be responsible for maintaining ongoing adherence to the requirements of the National Pollution Discharge Elimination System (NPDES) permit under which the Facility operates as specified in the District's NPDES Permit. These duties will include, but will not be limited to the maintaining of all permit requirements related to effluent quality. Additionally, the Company will maintain and provide all reports required by the State of California and USEPA of the NPDES Permit. It is expressly acknowledged by the District that the Company's responsibilities do not include storm water systems and / or temperature levels of the wastewater discharged from the Facility and/or special studies required by regulatory agencies. Furthermore, it is acknowledged by the Company and the District that the Company's responsibilities are subject to relief for "Uncontrollable Circumstances" as defined in this Agreement.

**SCHEDULE 10
DISTRICT CONTRACTS**

The District has entered into the contracts, without limitation, as listed in Table S10-1. These contracts support the management, operation and maintenance of the System or systems that treat or dispose of by-products of the System. The intent of Table S10-1 is to only present a summary of these contracts. The Company shall be responsible for reviewing the terms and provisions of these contracts. The Company is not obligated to use these same contractors, and may terminate or renegotiate such contracts. If termination penalties apply, the Company shall be responsible for all such termination penalties and costs.

It is the responsibility of the Company to investigate the status of this and other contracts not identified herein to determine the impact of such contracts on the proposed Agreement.

District may elect to coordinate with the Company to obtain the most advantageous terms and conditions for its electricity contract and other contracts.

The Company shall not terminate any outside contract prior to its expiration without prior notification to the District. The Service Fee shall not be modified or otherwise adjusted if the Company decides to re-contract, extend, and/or assume responsibility for these outside contracts.

**Table S10 -1
Contracts**

Contract¹	Company's Responsibility Prior to Contract Expiration Date	Company's Responsibility Following Contract Expiration Date
None at this time	Not applicable	Not applicable

Notes:

¹Contract, agreement, or other legal arrangement

**SCHEDULE 11
USAGE CAPS: MAXIMUM UTILITIES AND DIESEL FUEL UTILIZATION**

Table S11-1

Maximum Utilities Utilization

CAP A – Initial Operating Period

Item	Maximum Annual Usage (KwH/year)	Maximum Unit Usage (KwH/MGD)
Electricity for WWTP Facility (Total WWTP usage in KwH, excluding pump stations. Such usage shall equal the total of the PGE metered consumption and Co-Gen KwH production, if any)	5,435,866	3,155

NOTE: The deregulation of electric utility has placed additional emphasis on time of day usage and demand charges as major determinates of electric power costs. Company will provide, within 15 days of contract commencement, a graphical presentation of the envisioned “Load Profile” of the facility – consistent with their envisioned operations approach. A discussion of the power management strategy to be utilized by the Company shall also be provided as part of this Schedule 11 requirement. Increased electric power costs, if any, experienced by the District as a result of the Company’s failure to implement and/or manage facility operations consistent with the specified approach (except to the extent required by actual flows at the Facility) shall make the Company financially responsible for the additional costs (if any) experienced by the District for electric power.

Item	Maximum Annual Usage (BTUs/year)	Maximum Unit Usage (BTUs/MGD)
Natural Gas for WWTP Facility	63,306	36.75

Item	Maximum Annual Usage (gallons/year)	Maximum Unit Usage (gallons/MGD)
Diesel Fuel	4,235	2.5

CAP B – New Facility Operating Period

NOTE: The deregulation of electric utility has placed additional emphasis on time of day usage and demand charges as major determinates of electric power costs. Company will provide, within 15 days of commencement of operation of new facilities a graphical presentation of the envisioned “Load Profile” of the facility – consistent with their envisioned operations approach. A discussion of the power management strategy to be utilized by the Company shall also be provided as part of this Schedule 11 requirement. Increased electric power costs, if any, experienced by the District as a result of the Company’s failure to implement and/or manage facility operations consistent with the specified approach (except to the extent required by actual flows at the Facility) shall make the Company financially responsible for the additional costs (if any) experienced by the District for electric power.

Item	Maximum Annual Usage (KwH/year)	Maximum Unit Usage (KwH/MGD)
Electricity for WWTP Facility (Total WWTP usage in KwH, excluding pump stations. Such usage shall equal the total of the PGE metered consumption and Co-Gen production, if any)	4,010,087	2,328

Item	Maximum Annual Usage (BTUs/year)	Maximum Unit Usage (BTUs/MGD)
Natural Gas for WWTP Facility	21,362	12.4

Item	Maximum Annual Usage (gallons/year)	Maximum Unit Usage (gallons/MGD)
Diesel Fuel	2,595	1.6

Note: Administration building costs for electricity, natural gas, water, and other utilities are not included in the above usage caps and are not part of Company’s contract responsibility. District will provide all utilities for the Administrative building.

Influent wastewater within design criteria and flow and loading parameters established by the design criteria specified in Schedule 1 shall be treated to meet all regulatory requirements, including effluent discharge standards, without adjustment to the Service Fee or Utility Caps

unless the twelve (12) month moving averages for maximum and minimum flow are loadings are exceeded. Provided the flows and loadings do not exceed design criteria, short term excursions of flows and / or loadings above or below the maximum and minimum flow and loadings established for the Service Fee and Utility Caps, but within the design criteria, shall not constitute an Uncontrollable Circumstance and shall not be eligible for compensation adjustment to the Service Fee or adjustments to the Utility Caps.

**SCHEDULE 12
EQUIPMENT AND CHEMICALS INVENTORY**

Within thirty (30) days after the Commencement Date, the Company, in cooperation with District staff, shall conduct a physical inventory and prepare an up-to-date report of Equipment and chemicals located throughout the Facilities.

Equipment shall include the following Rolling Stock which is being made available by the District for transfer of ownership and Title to the Company. Failure of Company to accept, in writing, the transfer of this Rolling Stock will allow the District to dispose of such listed Rolling Stock and for the District to retain financial proceeds, if any, of such disposal.

List of Rolling Stock Equipment

Equipment Name & Year	Brief Description
2001 Dodge truck	pick up with utility bed
2001 Dodge truck	pick up
2001 Dodge truck	1-Ton pick up with utility bed
2005 Dodge truck	crew cab pick up
2005 Chevrolet truck	1/2 ton pick up
1992 Ford truck	diesel crane/dump truck
3 GEM vehicles	maintenance jitneys
2 Forklifts	

An inventory report (“Inventory Report”) shall be attached to this Schedule 12 and contain, but is not limited to, the following information relative to any additional Equipment or Chemicals inventory of the Facilities:

- Detailed description of items
- Date of purchase
- Identification number (i.e., serial number), if available
- Manufacturer’s name
- Quantity (i.e., gallons of chemicals)

SCHEDULE 13

PASS THROUGH COSTS

Pass Through Costs shall be reimbursed to the Company based on the Company's documentation demonstrating that such costs have been incurred and are applicable pursuant to the provisions of this Agreement. Pass Through Costs shall be identified on the Company's monthly invoices as separate line items and shall include the following costs as Pass Through.

Costs pursuant to the Agreement:

1. Performance Bond.
2. Insurance costs.
3. Opinion Letter from outside legal counsel (Section 2.0 of Agreement) up to a maximum, one time cost of fifteen thousand dollars (\$15,000.00).
4. Electricity costs and natural gas costs shall be paid by the District to the extent the maximum usage in Schedule 11 is not exceeded. Company shall be responsible to the District for the cost of any utility usage above the usage caps (quantities).
5. Diesel fuel costs shall be paid by the District for District-owned Equipment for Services to the extent the Usage Cap in Schedule 11 is not exceeded. Company shall be responsible for costs for any usage above the Usage Caps (quantities).

**SCHEDULE 14
SERVICE FEE AND INCENTIVES**

ESTABLISHMENT OF FINALIZED SERVICE FEE:

The Company and the District have established that the Company’s first year Service Fee includes the transition of seven (7) existing District staff per the conditions and provisions of Appendix C. The Company and the District have further agreed that Transition of additional District staff (up to the maximum eligible of nine (9) or the reduction of District staff transitions to below seven (7) shall result in the adjustment of the first year Service Fee as specified below:

Change of District staff transitions to above or below seven (7) shall utilize the following dollar adjustment for the specific positions, so that, for example District staff transitions of less than seven (7) will result in a reduction to the Service Fee specified in Tables S14-1 and S14-2 listed below under Service Fee:

Adjustment of Service Fee for District staff transitions totaling more or less than seven (7)

Number	Position Title	Incremental Cost Difference
1	WW Facilities Manager	\$ 25,870 / year
2	Operations Leadworker	\$ 19,271 / year
3	WWTP Operator I	\$ 16,347 / year
4	WWTP Operator II	\$ 17,383 / year
5	Mech. Tech II	\$ 16,688 / year
6	WWTP Operator II	\$ 17,383 / year
7	Mech. Tech II	\$ 16,688 / year
8	Mech. Tech Leadworker	\$ 18,846 / year
9	WWTP Operator II	\$ 16,607 / year

Note: Cost differentials listed above are in 2009 \$’s and shall be adjusted annually by the BAI.

The Company and the District have further agreed that a later reduction in District staff from the number transitioning at the Commencement Date shall also result in an adjustment (reduction) in the Service Fee to reflect cost impacts, if any, of the change.

SERVICE FEE:

The Company shall be paid a Service Fee as indicated below, pursuant to the terms and provisions of this Agreement, for Facility operations, maintenance, and management. The Company shall be paid such Service Fee effective on the Commencement Date throughout the

Term of the Agreement. Payment by the District shall be in twelve (12) equal installments with the twelve (12) payments totaling the annual Service Fee amount. Payment by the District shall be made within fifteen (15) days of receipt of invoice for the month just ended.

- Within sixty (60) days of the Commencement Date, District and Company shall jointly develop an invoice template (“Monthly Invoice”) for use by the Company in invoicing the District for the Service Fee, Pass Through Costs and other items as described in Section 4 of the Agreement. District and Company may from time to time modify the Monthly Invoice, approval of changes to which shall not be unreasonably withheld by either party.
- Prior to the period described above, Company shall invoice and District shall pay the Service Fee, Pass Through Costs and other items as described in Section 4 of the Agreement.

**Table S14-1
Service Fee A – Initial Operations**

Service Fees	
Service Fee A Component	Annual Amount
Service Fee (Year 1: July 1, 2009 – June 30, 2010)	\$ 2,069,109
Proposal % of BAI Service Fee Escalator (% of change in BAI)	100 %
Service Fee Escalation Date (first annual adjustment)	July 1, 2010

Note: All costs are specified in calendar year 2009 dollars and will be adjusted by the specified BAI at the first anniversary date of July 1, 2010 using the adjustment methodology of Schedule 8.

**Table S14-2
Service Fee B – New Facility Operations**

Service Fees	
Service Fee B Component	Annual Amount
Service Fee (Year 1: July 1, 2009 – June 30, 2010)	\$ 1,853,542
Proposal % of BAI Service Fee Escalator (% of change in BAI)	100 %
Service Fee Escalation Date (first annual adjustment)	July 1, 2010

Note: All costs are to be specified in calendar year 2009 dollars and will be adjusted by the specified BAI) at the first anniversary date of July 1, 2010, and each subsequent Agreement year thereafter using the adjustment methodology of Schedule 8.

The Service Fee costs listed above for Service Fee A and B will be adjusted upward or downward to reflect the transition of more or less District staff to Veolia employment consistent with the Employee Transition Memorandum of Agreement (MOA) provided as Attachment D. Such adjustment to the Service Fee, if any, will be calculated using the additional employment costs associated with the requirements of the MOA.

Influent wastewater within design criteria and flow and loading parameters established by the design criteria shall be treated to meet all regulatory requirements, including effluent discharge standards, without adjustment to the Service Fee or Utility Caps unless the twelve (12) month moving averages for maximum and minimum flow are loadings are exceeded. Provided the flows and loadings do not exceed design criteria, short term excursions of flows and / or loadings above or below the maximum and minimum flow and loadings established for the Service Fee and Utility Caps, but within the design criteria, shall not constitute an Uncontrollable Circumstance and shall not be eligible for compensation adjustment to the Service Fee or adjustments to the Utility Caps.

TRANSITION COSTS FOR 14 AREAS (SCHEDULE 5 ITEMS)

The Company and District have agreed that no additional costs shall be charged the District for the satisfactory development, implementation and completion of the items specified in the Transition Plans for 14 areas including the listed tasks in the Company's Transition Program Elements in Schedule 5 of this Appendix A.

INCENTIVES:

The Company shall be eligible for incentives as specified in Section 4.5 (Sharing of Cost Savings and Performance Excellence Incentives). Payment of any incentives earned under the programs specified in Section 4.5 shall be subject to the restrictions and limitations of IRS Provision 97-13 as outlined in Section 4.6 Absolute maximum and minimum compensation of this Agreement. Unless otherwise indicated, the incentive award, if any, shall be paid within forty five (45) days of the end of the Fiscal Year.

PERFORMANCE EXCELLENCE INCENTIVES

1. No excursions or violations, regardless of reason, of the NPDES Permit in any fiscal year along will result in an incentive payment of ten thousand dollars (\$10,000); each additional year of no excursions or violations shall result in an incentive increased award increased by five thousand dollars (\$5,000) for each year of no violations (e.g., two years of no violations shall result in an incentive award of fifteen thousand dollars (\$15,000)).
2. Staff Certifications: Staff gaining a California Grade III or Grade IV operator certificate shall be eligible for a one-time District payment of two hundred dollars (\$200) within forty five days (45) of submission of the certification documentation to the District.
3. No Lost Time Accidents: Completion of a Fiscal Year with no lost time accidents by Company personnel shall result in an incentive payment of two hundred dollars (\$200)/employee.

4. No Odor Complaints: Completion of a fiscal year with no odor complaints shall result in an incentive payment of five thousand dollars (\$5,000).

5. Electric Power (KwH) Usage: Completion of a Fiscal Year meeting Effluent Limits shall enable the Company to share in the cost savings resulting from electric power usage (KwH) below the usage cap specified in Schedule 13 of this Agreement. The incentive payment to the Company shall be computed as fifty percent (50%) of the value of the reduced KwH usage (i.e. the KwH usage quantity below the cap times the average cost / KwH for the year).

SCHEDULE 15 ACCEPTANCE TESTING

Consistent with the overall Agreement and Section 3.8 specifically, the District has and will continue to be responsible for the provision of all facilities and Equipment obtained as a capital expenditure. So that all District-provided equipment, facilities, and systems utilized by the Company to meet the requirements of this Agreement are accepted by the Company, this “Acceptance Testing” Schedule is established to formalize the Company’s written acceptance of the suitability and performance of these facilities.

The Upgrade Project currently under construction and any new Facility Modifications obtained by District capital expenditures during the Term of this Agreement and / or Equipment purchased by the District as provided in Repair and Rehabilitation Program will be subject to the written Acceptance Test procedure as mutually developed and agreed between the Company and the District. These test procedures will generally follow the approach outlined in Section 3.8 of the Agreement with an agreed upon set of contract acceptance criteria for acceptance of Capital Improvements by the District and a subsequent set of criteria for process acceptance by the Company.

These mutually developed and agreed upon written Acceptance Test procedures for District Acceptance and subsequent Company process acceptance shall be developed, as needed, to complete this Schedule 15. The procedure for developing Acceptance Test procedures shall occur as follows: at a minimum of thirty (30) days in advance of the date such Capital Improvement shall be placed into service for operation as described in California Water Code § 13385(j)(1)(D), , the District shall promptly notify Company, and Company and District shall promptly and jointly develop an Acceptance Test procedure for the Capital Improvement. Should District and Company be unable to agree on an Acceptance Test procedure with respect to a Capital Improvement, the parties shall engage in the dispute resolution process as provided in Section 5.3 of the Agreement.

SCHEDULE 16 CONTRACT TERM AND RENEWAL OPTION

Contract Term and Extension Option:

The contract term for this Agreement shall be for five (5) years from the date of Commencement Date (the "Term"), unless extended by the District per the terms and conditions summarized below.

The extension option shall be solely available to the District and must be exercised by the District prior to one hundred twenty (120) days of the end of the original Term or the extension option provided by the Company shall expire, unless the extension option is mutually extended by the Company and the District.

Extension Option Summary:

At the District's option, two (2) successive option terms of three (3) years each shall be offered to the Company at then existing Agreement provisions and Service Fee one hundred twenty (120) days before Agreement termination. The Company may propose an adjustment to the Service Fee but acceptance of such adjustment shall be at the District's option. Failure to reach agreement on the Service Fee for the renewal period shall end the Agreement at the then current Agreement expiration date.

Review at Expiration of Agreement:

As outlined in Schedule 2, Section 2.4.6 of this Agreement, the Company and the District shall mutually select an independent, technically qualified firm or firms (the "Auditor" to perform an audit of the Facility to determine the condition of the Facility prior to the final Contract Year. The cost of the services provided by the Auditor, as specified in Schedule 2, shall be divided equally between the Company and the District in accordance with Section 2.4.6.

SCHEDULE 17
COMPLIANCE WITH APPLICABLE LAW

In the performance of its duties and obligations established by this Agreement, the Company shall be responsible for compliance with all Applicable Laws. Such Applicable Laws shall include all applicable local, State of California, and Federal laws and regulations. 1280845.21

APPENDIX B
Novato Sanitary District Wastewater Treatment Plant Permits

Novato Sanitary District, California

Permit Summary

The District's current NPDES Permit R2-2004-0093, effective February 1, 2005 , and modifications as noted below:

Order No. R2-2008-0026: Amendment of Order No. R2-2004-093 adopted 5/15/08

Cease and Desist Order No. R2-2008-0029 adopted 5/15/08

Water Reclamation Requirements Order No. 92-065 adopted 6/17/092

Order No. R2-20070-0077 Waste Discharge Requirements for Municipal and Industrial Wastewater Dischargers of Mercury to San Francisco Bay adopted 11/7/07

13267 Letter for Cyanide

13267 Letter for Copper

District is required to meet three different effluent quality requirements depending on time of year and discharge location:

- 1) Dry weather discharge requirements are in effect for discharge to San Pablo Bay in May, September, and October (NPDES Order No. R2-2004-0093)**
- 2) Wet weather discharge requirements are in effect for discharge to San Pablo Bay November, December, January, February, March, and April (NPDES Order No. R2-2004-0093)**
- 3) No discharge to the Bay allowed from June 1st to August 31st. California Order No. 92-065 sets the requirements during this period when all flows are used for pasture land irrigation.**

In addition, the District provides up to 0.5 MGD of secondary effluent to the North Marin Water District (NMWD). NMWD operates a tertiary filter plant to produce Title 22 recycled water for landscape irrigation.

Tables 1a, 1b, and 1c on subsequent pages provide a Summary of these discharge requirements.

The District wastewater treatment facilities have Air Quality permits from the Bay Area Air Quality Management District: BAAQMD Permits A1275 and A1276.

Table 1a Summary for Current NPDES Permit Limits for Discharge to San Pablo Bay

Conventional Pollutants						
Constituent	Units	Annual Average	Monthly Average	Weekly Average	Daily Maximum	Instantaneous Maximum
November 1 through April 30						
Biochemical Oxygen Demand (BOD ₅ , 20° C)	mg/L		30	45		
Total Suspended Solids	mg/L		30	45		
Oil & Grease	mg/L		10		20	
Chlorine Residual	mg/L					0.0
Total Ammonia as N	mg/L		6.0			
pH	pH	≤ 8.5pH ≥ 6.5				
Enterococcus	MPN/100ml			35 -30-d geo mean		276
Prior to November 1 or After April 30 (if discharging to San Pablo Bay)						
Biochemical Oxygen Demand (BOD ₅ , 20° C)	mg/L		15	30		
Total Suspended Solids	mg/L		10	20		
Oil & Grease	mg/L		5		15	
Chlorine Residual	mg/L					0.0
Total Ammonia as N	mg/L		6.0			
pH	pH	≤ 8.5pH ≥ 6.5				
Enterococcus	MPN/100ml			35 -30-d geo mean		276

Table 1b Summary for Current NPDES Permit Limits for Discharge to San Pablo Bay

Toxic Substances			
Constituent	Units	MDEL	AMEL
Copper*	µg/l	19	
Lead	µg/l	8.8	3.5
Mercury	µg/l		0.066 monthly average 0.072 weekly average
Nickel	µg/l	32	21
Silver	µg/l		
Zinc	µg/l		
Cyanide*	µg/l	9.2	
4,4'-DDE	µg/l		0.05 interim daily max
4,4'-DDD	µg/l		0.05 interim daily max
Dieldrin	µg/l		0.01 interim daily max
Heptachlor Epoxide	µg/l		0.01 interim daily max

After new treatment plant is online:

Constituent	Units	MDEL	AMEL
Copper*	µg/l	14	9.4
Cyanide*	µg/l	15	6.8

Table 1c Summary of Current NPDES Permit Limits for Discharge to Reclamation Facility

Conventional Pollutants						
Constituent	Units	Annual Average	Monthly Average	Weekly Average	Instantaneous Minimum	Instantaneous Maximum
For Discharge to Reclamation Facility						
Biochemical Oxygen Demand (BOD ₅ , 20° C)	mg/L		40			
Dissolved Oxygen	mg/L				1.0	
Dissolved Sulfide	mg/L					0.1
pH	pH	≤ 9 ph ≥ 6				
Total Coliform	MPN/100ml			240 median from 5 samples		10,000

APPENDIX C STAFF TRANSITION, MOA, and SICK LEAVE

Staff Transition and MOA: The Company and the District have agreed that eligible District staff will be offered employment by the Company per the terms of the Memorandum of Agreement (MOA) attached to this Appendix C. The Service Fee is established using the costs for the transition of seven (7) District staff members. Schedule 14 has discussed the adjustment to the Service Fee should more or less District staff eligible for transition do so as of the Commencement Date of this Agreement.

The Company has signed the MOA Agreement as a contract commitment for inclusion with this Agreement to indicate the Company's willingness to provide the transition elements specified in the MOA, consistent with the provisions set forth in Section 3.7 of the Agreement.

Sick Leave Accrual: The Company and the District have further agreed that the transition of eligible District staff will include the "carryover" on accrued sick leave from District employment. The District will provide a Sick Leave Table setting forth the hours and dollar amounts that the District will provide to the Company for Company provision of the indicated amount of sick leave eligibility at Commencement Date for the District staff who transition to Company employment effective with the Commencement Date of this Agreement.

Attachment I: Memorandum of Agreement (MOA)

Existing MOA (signed by Veolia) To be attached to finalized Agreement



AIU Insurance Company
American Home Assurance Company
Granite State Insurance Company
The Insurance Company of the State of Pennsylvania
National Union Fire Insurance Company of Pittsburgh, Pa.
New Hampshire Insurance Company

American International Companies

Principal Bond Office
175 Water Street, 26 Floor
New York, NY 10038

Bond No.: 85-40-03
Premium: \$108,975.00/term

PERFORMANCE BOND

KNOW ALL MEN BY THESE PRESENTS, That, we, **VEOLIA WATER WEST OPERATING SERVICES, INC., 2300 Contra Costa Blvd., Suite 350, Pleasant Hill, CA 94523** (hereinafter called the Principal), as Principal, and **AMERICAN HOME ASSURANCE COMPANY**, a corporation duly organized under the laws of the State of Pennsylvania, (hereinafter called the Surety), as Surety, are held and firmly bound unto **NOVATO SANITARY DISTRICT, 500 Davidson Street, Novato, CA 94945** (hereinafter called the Oblige), as Oblige, in the sum of **Two Million Seven Hundred Twenty Four Thousand Three Hundred Eighteen and 00/00 Dollars (\$2,724,318.00)**, for the payment of which we, the said Principal and the said Surety, bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

Sealed with our seals and dated this **24th** day of **September, 2009**.

WHEREAS, the Principal has by written agreement dated **September 18th, 2009**, entered into a contract with Oblige for the **Operation, Maintenance and Management of Wastewater Treatment Facilities, located in Novato, CA**, in accordance with the terms and conditions of said Contract, which is hereby referred to and made a part hereof as it fully set forth herein.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that if the above bounden Principal shall well and truly keep, do and perform each and every, all and singular, the matters and things in said Contract set forth and specified to be by said Principal kept, done and performed, at the times and in the manner in said Contract specified, or shall pay over, make good and reimburse to the above named Oblige, all loss and damage which said Oblige may sustain by reason of failure or default on the part of said Principal so to do, then this obligation shall be null and void; otherwise shall remain in full force and effect, subject, however, to the following conditions:

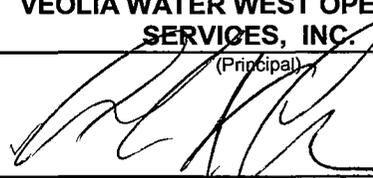
- 1) No right of action shall accrue on this bond to or for the use of any person or corporation other than the Oblige named herein or their heirs, executors, administrators or successors of the Oblige.
- 2) The liability of the Principal and Surety under this bond is limited to the performance of the contract for the term **September 18, 2009 to September 18, 2014**. The dates covered by this bond may be extended for annual periods, all such extensions to be evidenced by a continuation certificate or by a new bond, duly executed by an authorized representative of the Surety and Principal. However, in no event will the Surety be held liable under this bond for its failure to provide extension certificates and/or additional bonds for any subsequent period.

- 3) The liability of the Surety shall not be cumulative from year to year, regardless of the original term of the contract, or number of extensions hereto.
- 4) The liability of the Surety shall not exceed the penal sum above stated.



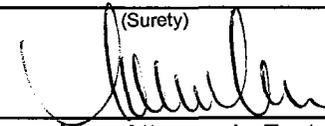
(Witness)

VEOLIA WATER WEST OPERATING SERVICES, INC.

(Principal) (seal)
By: 

Francis X. Ferraras Vice President (Title)

AMERICAN HOME ASSURANCE COMPANY

(Surety) (Seal)
By: 

Irene Lau, Attorney-in-Fact

POWER OF ATTORNEY

American Home Assurance Company
National Union Fire Insurance Company of Pittsburgh, PA.
Principal Bond Office: 175 Water Street, New York, NY 10038

Power No. 14905

No. 05-B-34748

KNOW ALL MEN BY THESE PRESENTS:

That American Home Assurance Company, a New York corporation, and National Union Fire Insurance Company of Pittsburgh, PA., a Pennsylvania corporation, does each hereby appoint

--Irene Lau, Kathy R. Mair: of Newport Beach, California--

its true and lawful Attorney(s)-in-Fact, with full authority to execute on its behalf bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, issued in the course of its business, and to bind the respective company thereby.

IN WITNESS WHEREOF, American Home Assurance Company and National Union Fire Insurance Company of Pittsburgh, PA. have each executed these presents

this 5th day of June, 2009



Anthony Romano, Vice President

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

On this 5th day of June, 2009 before me came the above named officer of American Home Assurance Company and National Union Fire Insurance Company of Pittsburgh, PA., to me personally known to be the individual and officer described herein, and acknowledged that he executed the foregoing instrument and affixed the seals of said corporations thereto by authority of his office.

JULIANA HALLENBECK
Notary Public - State of New York
No. 01HA8125871
Qualified in Bronx County
My Commission Expires April 18, 2013

CERTIFICATE

Exerpts of Resolutions adopted by the Boards of Directors of American Home Assurance Company and National Union Fire Insurance Company of Pittsburgh, PA. on May 18, 1976:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance and other contract of indemnity and writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

I, Elizabeth M. Tuck, Secretary of American Home Assurance Company and of National Union Fire Insurance Company of Pittsburgh, PA. do hereby certify that the foregoing exerpts of Resolutions adopted by the Boards of Directors of these corporations, and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolutions and the Powers of Attorney are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the facsimile seal of each corporation



this day of SEP

Elizabeth M. Tuck, Secretary

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

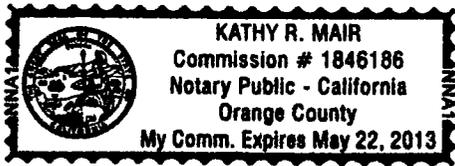
County of Orange

On SEP 24 2008 before me, Kathy R. Mair, Notary Public,
DATE [Name of Notary Public and Title "Notary Public"]

personally appeared Irene Lau -----
[Name(s) of Signer(s)]

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.



(Seal)

WITNESS my hand and official seal.

Kathy R. Mair
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

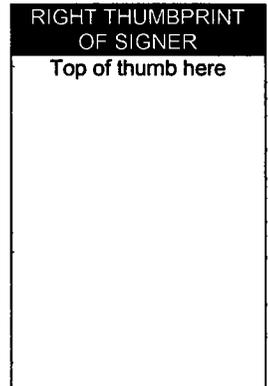
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: Irene Lau

- Individual
- Corporate Officer – Title(s): _____
- Partner – Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer Is Representing: _____



NOVATO SANITARY DISTRICT
Wastewater Operations Committee Meeting
Odor Control, Noise, and Landscaping Report
September 2013

Summary:

Staff continues to work to address issues of concern relating to odor control, noise, and landscaping, specifically from the Lea Drive neighborhood, and in the northeast corner of the Novato Treatment Plant (NTP) site.

To demonstrate its commitment, the District has already expended significant amounts beyond the substantial investment for odor control, noise, and landscaping included in the original WWTP Upgrade, Contract B - Novato Treatment Plant (NTP), Project No. 72609. These additional costs have included operational changes and measures related to further noise abatement, visual screening, wind shielding, and daily monitoring.

A summary of activities since the last Wastewater Operations Committee meeting is provided below.

Odor control:

As mentioned in previous reports, the District has contracted with the consulting firm of Brown and Caldwell (B&C) and their project manager Mr. David McEwen, for a new odor study focusing primarily on the aeration basins as a potential odor source. As part of this study, Mr. McEwen had performed a sampling event in August, and preliminary results from this event became available in September. On September 11, 2013 Mr. McEwen met with neighborhood representatives. Sandeep Karkal (NSD) and John Bailey (Veolia) were also present at this meeting. Mr. McEwen discussed the scope of this work, discussed his preliminary findings, listened attentively to the concerns and ideas expressed by the neighborhood representatives, and assured them that their thoughts and concerns would be in play as he worked on any potential solutions.

Also, further progress was made on the pilot project to cover the anoxic zones of the aeration basins with the PODZ units. As mentioned in the August report, when the PODZ units were initially installed, it was discovered that floating scum in the anoxic zones would get trapped in the headspace of the individual Podz units, as well as in the space between the basin walls and the floating mass of the Podz units. It was found that this trapped scum further contributed to the odor problem, and the Podz units were removed from the basins. The manufacturer was contacted and presented modifications to the units. The modified units are being piloted and the manufacturer has expressed the opinion that they appear to be working satisfactorily. However, the manufacturer has also expressed that they will continue to further refine the design based on the lessons learnt, and will be getting back to the District with newer improved PODZ units at their cost, in the near future.

Noise:

In September 2013, staff continued to address the low level noise issues raised by some Lea Drive neighbors, related to the fans for the main odor control biofilter in the northeast corner of the Novato plant. These fans currently continue to reside inside a

NOVATO SANITARY DISTRICT
Wastewater Operations Committee Meeting
Odor Control, Noise, and Landscaping Report
September 2013

temporary insulated enclosure, and staff continues to evaluate options to provide cost-effective permanent sound attenuating. As part of this effort, Veolia and the District have retained a local contractor who will be presenting two alternative designs in October to place the fans and the immediately adjacent air ducting within an enclosure to minimize the sound

In addition, staff continued to monitor sound levels at the property line on Lea Drive, which continued to indicate that the sound levels are those of an "Average Quiet Street" and well below the 60 decibels the Novato General Plan specifies for residential neighborhoods.

As noted previously, the District has budgeted for soundproofing of these fans in its FY2013-14 preliminary budget, and is evaluating alternative designs.

Landscaping:

In September 2013, staff worked with its landscaping contractor Cagwin and Dorward (C&A), Novato, CA, to care for the attributes to the landscaping installed at the District's fence-line on Lea Drive at the northeast corner area of the NTP. As mentioned in earlier reports, the District has negotiated and executed a maintenance contract with C&A for C&A to provide periodic maintenance services to this landscaping, including weed control and irrigation systems. It is anticipated that C&A will be providing weekly services on an as-needed basis to care for the landscaping in this area.

**Novato Sanitary District
Wastewater Operations Committee meeting
Collection System Operations Report
September 2013**

General:

For September 2013, after accounting for all leaves, the breakdown of Collection System department staff time, in terms of equivalent full-time employee (FTE) hours utilized, works out approximately as follows:

- 1.4 FTE field workers for Sewer Maintenance (main line cleaning)
- 1.2 FTE field workers for Pump Station Maintenance
- 1.2 FTE field workers for CCTV work
- 2.1 FTE field workers for time spent on data input, training, service calls, overflow response, or any other activity that does not directly relate to main line cleaning, CCTV work or pump station maintenance, and
- 1.0 FTE field workers Vacation/Sick Leave/Holiday.

Collection System Maintenance:

Performance metrics for the department are presented in the attached graphs showing the length of line cleaned/month, footage cleaned/hour worked, overflows/month, and the CCTV footage achieved. A total of 54,906 feet of sewer pipelines were cleaned for the month. The footage cleaned per hour is within established parameters for the department but the length of lines cleaned/month is below the department's production goal. Staff completed 281 maintenance work orders generated by the ICOM3 CMMS system, with 110 outstanding work orders. 19 of the outstanding work orders originate to the mechanical rodding unit which was not in the field due to transmission failure. 91 outstanding work orders originate to the hydro-flushers; this is due to the departments focus on reducing the outstanding rodder work orders which are primarily located in difficult to access easement areas. These 110 remaining/outstanding work orders (19 rodding work orders and 91 flusher work orders) will be completed in October. The addition of a new employee, Justin Wall, in October will enable the Collection Department to field two (2) cleaning crews on a consistent basis.

The CCTV van was in the field for a total of 15 working days in September, and the department's CCTV production of 24,167ft for the month is below expected production goals.

As mentioned in prior reports, the department continues to work on monitoring and modifying its work practices, (primarily to better integrate flushing with CCTV work) as part of its continuous improvement practices. As part of its ongoing internal self-evaluation, staff further analyzed the issue of lower production in both cleaning and CCTV work and came up with improved progress monitoring procedures, which were implemented in September. As these improved procedures gain traction, and with the addition of a new crew member, staff anticipates that it will show improvement in its production goals in the near future.

**Novato Sanitary District
Wastewater Operations Committee meeting
Collection System Operations Report
September 2013**

Pump Station Maintenance:

The Collection System Department conducted 276 lift station inspections for the month with 126 of the inspection visits generated through the JobCal Plus CMMS system*.

The breakdown of these inspections is as follows: 27 Flygt submersible pump stations, 1 time per month, 6 Gorman/Rupp dry well/wet well stations, 1 entry per month, and 4 main stations and the Irrigation pump station, that are visited daily.

A Collection Systems (Pump Stations) Work Order Statistics summary is attached.

At Bel Marin Keys #5 pump station, pump #3 was taken out of service in August and sent in for repair due to bearing failure and wear to the impeller and volute. The pump was returned to service in September but has been in and out of service due to issues with the Variable Frequency Drive (VFD) associated with pump #3. Staff is working to resolve this problem.

***Note:** The JobCal Plus program is not only used for scheduling and tracking pump station related maintenance work orders, it is also used for ladder inspections, reclamation maintenance work orders, SCADA backup scheduling, and vehicle maintenance scheduling.

Pump Station Rehabilitation:

Currently, there is no pump station under construction as part of the District's continuing multi-year Pump Station Rehabilitation Project (Capital Improvement Project No. 72403. Design is proceeding and is almost complete on the next phase (Unit 5), and it is anticipated that staff will be bringing an authorization to bid this phase at a Board meeting in October or November).

Safety and Training:

General: The Collection System crew attended weekly safety tailgate meetings.

Specialized training: Collection System staff attended Confined Space Entry Training in August. Staff also conducted training on replacing the continuous rod for the mechanical rodder.

Safety performance: There were no lost time accidents this month for a total of 232 accident-free days.

**Novato Sanitary District
Wastewater Operations Committee meeting
Collection System Operations Report
September 2013**

Standard Operating Procedures (SOPs):

Department staff continues to work on generating new SOPs, and working towards finalizing earlier draft SOPs. Five (5) Periodic Station Check SOPs were issued in September.

Sanitary Sewer Overflows (SSOs):

For the month of September, there was one (1) SSO, as discussed below.

No.	Date	Location	Amount, gal	Cause
1	9/13/2013	1802 Virginia Ave.	312	Roots

1. SSO at 1802 Virginia Ave.: This SSO was a Category I event with the discharge volume of approximately 312 gallons going to a storm drain and Novato Creek. There was substantial recovery (38%) for this discharge due to the fact that part the discharge was retrieved from a storm drain catch basin.

This discharge was determined to be the result of a partial root blockage in the main line. Volume estimation from the observed water height above the pick-hole times duration, volumetric calculation of the water in the gutter pan times duration, and reporting party/local resident interviews were all used to estimate the duration and volume of this event.

The District initially received this report at 08:45. Rebecca Ng of Marin County Environmental Health Services (MCEHS) was notified of this event at 10:25 and CAL-EMA was notified at 10:37 meeting the 2 hour reporting requirements for a Category I event.

Under the direction of Rebecca Ng, MCEHS, Novato Creek was posted with 10 warning signs initially, with 6 more signs added the following day that will be kept in place until further direction is received. Due to the possible impact of this discharge on Novato Creek, the District's sampling protocol was immediately implemented and samples were taken 15 feet upstream of Point of Entry (POE), 25 feet downstream of POE, and at 150 feet downstream of POE, as required by MCEHS. Water sampling results were found to be acceptable by MCEHS and sampling was halted on September 19, 2013. Public Notification signage remained in place until September 24, 2013 when they were removed with the approval of Robert Turner, MCEHS.

The line segment had been chemically root treated on 6/2012 due to root intrusion and a prior overflow in December 2011. It was last cleaned using the hydro-flusher on 7/30/2012. After the December 2011 event, the cleaning frequency for this line was to have been changed from 24 months to 12-months; however, the change was not made.

**Novato Sanitary District
Wastewater Operations Committee meeting
Collection System Operations Report
September 2013**

Therefore, a cleaning that should have been performed in July 2013 was not performed. However, follow-up actions have been taken to ensure that this event does not occur again, including procedural discussions with the individual responsible for making the changes to the cleaning frequency, and verification that the cleaning frequency for this line has been changed to 12-months.

This event was reported into the CIWQS database on 9/13/2013 as a Category I event, SSO Event ID #798800 and was certified in CIWQS on 9/23/2013, Certification ID # 413887.

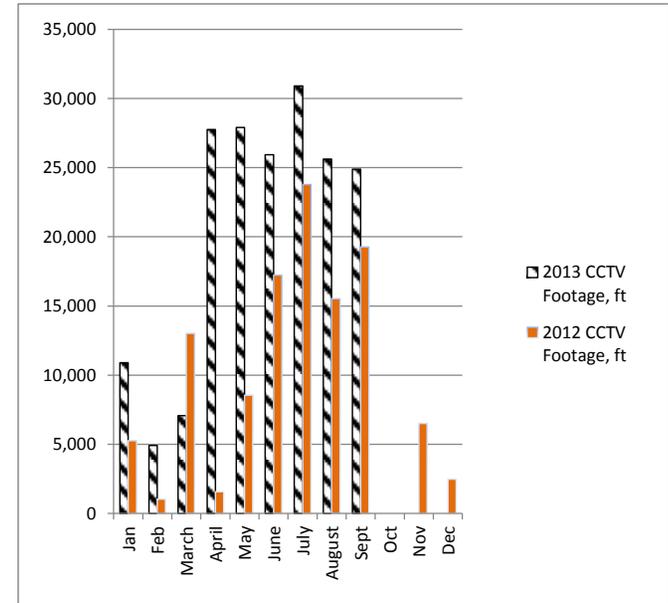
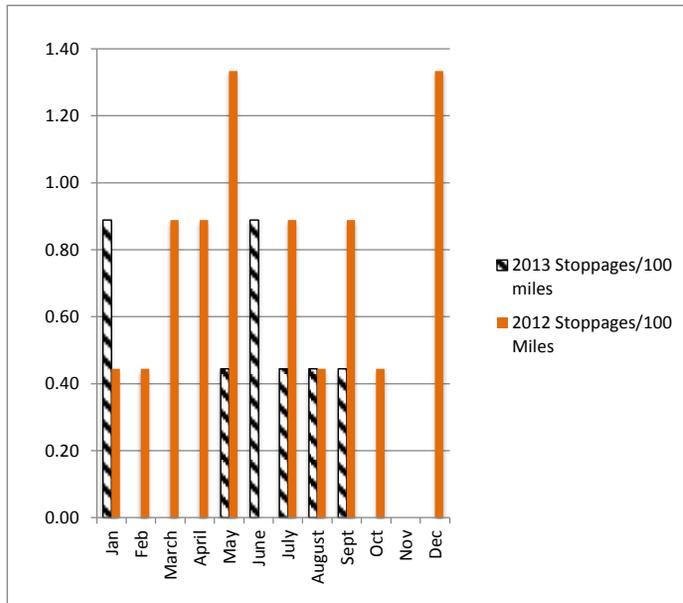
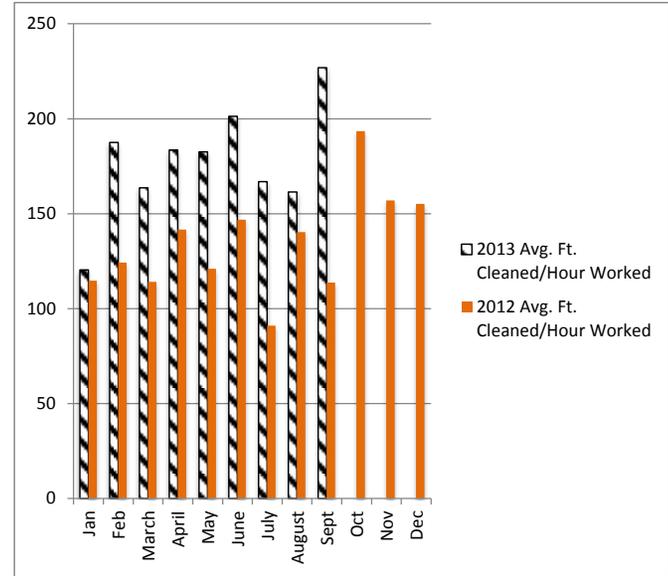
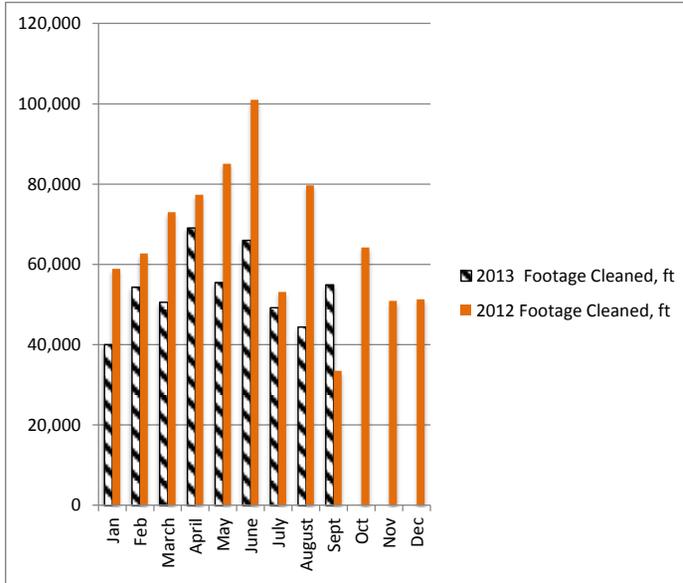
Novato Sanitary District
Collection System Monthly Report For September 2013 (as of September 30, 2013)

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
Employee Hours Worked														
Number of FTEs (main line cleaning), hrs.	1.9	1.7	1.8	2.2	1.8	1.9	1.7	1.6	1.4				NA	1.8
Number of FTEs (other)	1.9	1.4	2.4	1.5	1.8	1.2	1.8	1.4	2.1				NA	1.7
Number of FTEs (CCTV)	0.1	0.3	0.5	1.7	1.1	1.2	1.5	1.3	1.2				NA	1.0
Total, FTEs	3.9	3.4	4.7	5.4	4.6	4.3	4.9	4.2	4.7				NA	4.5
Regular Time Worked, (main line cleaning), hrs	333	290	309	377	304	328	295	275	242				2,752	306
Regular Time Worked on Other, hrs ⁽¹⁾	326	249	415	259	308	216	304	235	363				2,674	297
Regular Time Worked on CCTV ⁽²⁾	20	46	85	300	192	200	258	221	206				1,527	170
Total Regular time, worked, hrs	678	585	809	935	804	744	857	731	811				6,952	772
Total Vacation/Sick Leave/Holiday, hrs	204	77	101	114	239	62	191	238	174				1,399	155
Vacation/Sick Leave/Holiday, FTEs	1.2	0.4	0.6	0.7	1.4	0.4	1.1	1.4	1.0				8.1	0.9
Overtime Worked on Coll. Sys., hrs	6	45	5	47	5	1	24	24	33				190	21
Overtime Worked on Other, hrs ⁽¹⁾	3	19	5	28	12	6	16	17	27				133	15
Overtime Worked on CCTV ⁽²⁾	1	3	0	0	0	0	2	1	2				9	1
Total Overtime, hrs	10	67	10	75	17	7	42	42	62				332	37
Productivity														
Rodder Work Orders Generated, ft	14	0	24	31	83	66	51	51	51				371	41
Rodder 3203 Ft. Cleaned	3,138	0	3,856	5,490	678	4,371	760	1,842	1,214				21,349	2,372
Flusher Work Orders Generated	187	252	290	385	438	361	277	256	340				2,786	310
Truck 3205V Ft. Cleaned	2,782	5,146	2,755	13,698	15,477	10,186	0	12,537	0				62,581	6,953
Truck 3206V Ft. Cleaned	34,114	49,225	43,954	49,898	39,332	51,468	48,444	30,024	53,692				400,151	44,461
Camera Work Orders Generated	0	0	0	0	0	0	0	0	0				0	
Camera Ft. Videoed	10,905	4,912	7,075	27,756	27,913	25,938	30,910	25,628	24,900	NA	NA	NA	185,937	20,660
Work Orders Completed	201	252	286	374	314	267	239	222	281				2,436	271
Work Orders backlog	6	0	28	42	207	160	89	85	110				727	81
Total Footage Cleaned	40,034	54,371	50,565	69,086	55,487	66,025	49,204	44,403	54,906	NA	NA	NA	484,081	53,787
Sanitary Sewer Overflows (SSOs)														
Minor (Category II)	0	0	0	0	1	1	1	1	0				4	NA
Major (Category I)	2	0	0	0	0	1	0	0	1				4	NA
Overflow Gallons	2,200	0	0	0	158	1,111	10	50	312				3,841	NA
Volume Recovered	880	0	0	0	158	100	0	0	117				1,255	NA
Percent Recovered	40%	NA	NA	NA	100%	9%	0%	0%	38%	NA	NA	NA	33%	NA
Service Calls (non-SSO related)														
Service calls, normal hours, #	7	5	7	12	6	6	8	5	8				64	7
Normal hours S.C. response time, mins (avg.)	12	15	14	18	17	22	19	13	23				153	17
Service Callouts, after hours, #	1	0	0	1	1	0	1	2	1				7	1
After Hours S.C. response time, mins (avg.)	23	NA	NA	20	30	0	27	34	30				164	23
Benchmarks														
Average Ft. Cleaned/Hour Worked	120	187	164	183	183	201	167	161	227	NA	NA	NA	NA	177
Total Stoppages/100 Miles	0.9	0.0	0.0	0.0	0.4	0.9	0.4	0.4	0.4	NA	NA	NA	3.6	NA
Average spill response time (mins)	18	0	0	0	15	19	15	27	7				NA	11
Callouts/100 Miles	0.4	0.0	0.0	0.4	0.4	0.0	0.4	0.9	0.4				3.1	0.3
Overtime hours/100 Miles	3	20	2	21	2	0	11	11	15				84	9
Overflow Gallons/100 Miles	978	0	0	0	70	494	4	22	139	NA	NA	NA	1707	190

⁽¹⁾This category includes time spent on: Data input, Training, Service Calls, Overflow Response, as well as any other activity that does not directly relate to main line cleaning or CCTV work.

⁽²⁾This category separates time spent on CCTV from other Collection System maintenance activities.

Collection System 2012-13 Graphs



Novato Sanitary District

Pump Station Monthly Report For September 2013 (as of September 30, 2013)

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
Employee Hours Worked	253	224	313	226	256	249	320	301	236				2,378	
Number of Employees	1.4	1.3	1.8	1.3	1.4	1.4	1.8	1.4	1.2					1.4
Regular Time Worked on Pump Sta	185	189	223	182	227	201	273	239	201				1,919	
Overtime Worked on Pump Sta	69	35	90	44	29	48	47	62	35				459	
After Hours Callouts	4	3	1	8	1	0	5	5	2				29	
Average Callout response time (mins)	24	35	20	30	0	0	26	35	30				200	22
Work Orders														
Number generated in month	107	112	116	124	110	125	134	107	126				1061	
Number closed in month	104	110	116	124	110	123	134	106	126					
Backlog	3	2	0	0	0	2	0	1	0					

**COLLECTION SYSTEM (Pump Stations)
WORK ORDER STATISTICS
September 1, 2013 - September 30, 2013**

	Open Work Orders Due Prior to 9/1/2013	Open Work Orders 9/1/2013 - 9/30/2013	Total Open Work Orders
Preventive	1	126	0
Corrective	0	0	0
Total	1	126	127

	Closed Work Orders 9/1/2013 - 9/30/2013
Preventive	127
Corrective	0
Total	127

Total Outstanding Work Orders as of 9/30/2013	0
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**NOVATO SANITARY DISTRICT
Wastewater Operations Committee Meeting
Reclamation Facilities Report
September 2013**

Summary:

The rancher grazed cattle on all three Sites and sorted out calves for market. Parcel rehabilitation continued on Parcel 78 and began on Parcel 38. A purchase order was issued for the repair of Pump 1 at Drainage Pump Station 7. Staff met with Caltrans to discuss cleaning ditches along Highway 37. Approximately 79 MG of recycled water was used for irrigation this month. The storage ponds are storing approximately 80 MG of recycled water. Sludge disposal operations began this month and 3.5 MG of sludge was pumped to the DLD.

Ranch Operations:

The rancher grazed cattle on all Sites and began to sort out the calves to be sold. The rancher completed some minor repairs to the irrigation and fresh water systems in Site 7. All hay has been sold and removed from the Sites.

Parcel rehabilitation continued on Parcel 78. Leveling has been completed and the Parcel has been chiseled and one pass was completed with a rotovator (A rotovator is a device attached to the back of a tractor that breaks up the soil in preparation for seeding. The device is similar to a roto-tiller but the rotating blades rotate on an axis perpendicular to the ground instead of horizontal like a roto-tiller. The device is much more efficient than a disc). In October staff will test the irrigation system in Parcel 78 to evaluate if repairs are needed or if sprinkler heads need to be replaced. After the irrigation system test is complete the contractor will complete one more pass with the rotovator in preparation for seeding. The leveling equipment was moved to Parcel 38 and the front half of the Parcel has been leveled. After work is completed in Parcel 38 the leveling equipment will be moved to Parcel 24 & 28 to complete the rehabilitation work on those Parcels.

In July, Pump No. 1 at Drainage Pump Station No. 7 was removed for inspection and repair. The volute for the pump which rotted off was retrieved last month. Purchase orders for repair of the pump and motor were issued and delivery and installation is expected to occur in October.

Staff and a representative from Mosquito Abatement met with a representative of Caltrans to request that Caltrans clean the ditch along Highway 37 adjacent to Site 2. This ditch carries storm water from Site 2 across Highway 37 to Site 3 where it is pumped to Novato Creek. The Caltrans representative reported that they do not clean ditches that are choked with cattails due to wetland issues and past complaints from citizens but will check with his supervisor. The Mosquito Abatement representative mentioned that he will check with his office to see if Caltrans can piggyback on their Annual Permit to clean ditches for mosquito abatement purposes.

Irrigation Parcels:

As previously reported, on occasion, the valve actuators for some irrigation zones within the Parcels will not fully open or close and some motors have failed. Staff met with the

**NOVATO SANITARY DISTRICT
Wastewater Operations Committee Meeting
Reclamation Facilities Report
September 2013**

District's electrical consultant in August who will start looking at methods to remedy the situation. A report is forthcoming.

Irrigation Pump Station:

Approximately 79.12 million gallons of recycled water was used for irrigation in September. The average storage pond staff gauge depth at the beginning of September was 5.6 feet and 6.3 feet at the end of September, accumulating approximately 13.3 million gallons. This quantity is calculated using charts from the Reclamation Facilities O&M Manual. The significant increase over last month's accumulation is most likely due to the lowering of the Wildlife Pond, completed each September as recommended in the O&M Manual. The Wildlife Pond water drains directly to the Irrigation Storage Ponds.

As previously reported, staff is evaluating the replacement/repair of Irrigation Pump No. 2. Staff contacted PG&E to inquire about rebate programs for replacing the pump with a more efficient motor. Staff still has not had a reply from PG&E after contacting them several times so staff will move forward with the purchasing process. Staff will work on the purchase during the winter months and will not request delivery until next spring because the motor cannot be test run until after April 15th of next year.

Sludge Handling & Disposal:

The sludge handling and disposal contract was awarded last month and work did not begin until the first week in September. Approximately 3.56 MG of sludge was pumped out of Lagoons 1, 2, 3 & 4 and into the Dedicated Land Disposal (DLD) Area.
