SECOND AMENDED AND RESTATED AGREEMENT FOR RECLAIMED WATER SERVICE

This Second Amended and Restated Agreement for Reclaimed Water Service ("Agreement") is made and entered into this 23rd day of August, 2005 by and between the Victor Valley Wastewater Reclamation Authority ("VVWRA"), and the City of Victorville ("CITY").

RECITALS

A. VVWRA is a California joint powers authority formed on December 13, 1977 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 (Sections 6500, et seq.) of the Government Code of the State of California relating to the joint exercise of powers common to public agencies (hereinafter referred to as the "Act"). For the purposes of this Agreement, and from its inception, the VVWRA is and has been a public agency separate from the parties hereto.

B. City is a municipal corporation, duly organized and existing under and pursuant to the laws of the State of California, and located within VVWRA's service area.

C. CITY and VVWRA believe that it is important to protect and preserve the potable and subsurface water supplies in the Victor Valley region.

D. On November 19, 1998, VVWRA and the CITY entered into a Memorandum of Understating ("MOU") regarding the sale and delivery of reclaimed water. A copy of the MOU is attached hereto as Exhibit "A". On April 16, 1999, the CITY and VVWRA entered into an Agreement for Reclaimed Water Service to include the delivery of reclaimed water for purposes of irrigation of the CITY's Westwinds Golf Course, and other irrigation uses at the Southern California Logistics Airport ("SCLA"). A copy of the 1999 agreement is attached hereto as Exhibit "B". The agreement was replaced with a revised agreement on July 23, 2002, to remove a condition requiring an approved petition for change of point of discharge. A copy of the 2002 revised Agreement for Reclaimed Water Service is attached hereto as Exhibit "C". The agreement was amended and restated on May 18, 2004, to provide

language for sharing the cost of building the reclaimed water pipeline between VVWRA and SCLA. A copy of the 2004 Amended and Restated Agreement for Reclaimed Water Service is attached hereto as Exhibit "D".

E. City desires to expand its use of reclaimed water for non-potable uses within City beyond irrigation purposes and, as such, will require reclaimed water in amounts greater than what is currently being provided under the Original Agreement.

F. VVWRA previously entered into a Memorandum of Understanding, dated June 27, 2003, with the California Department of Fish & Game (the "CDFG"), wherein VVWRA agreed to discharge a specified quantity of treated wastewater per annum into the Mojave River Transition Zone (the "Transition Zone Water").

G. To the extent reclaimed water is available for delivery by VVWRA after its delivery of the Transition Zone Water, City wishes to purchase all such reclaimed water under the terms and conditions of this Agreement.

H. VVWRA and City desire to further amend and restate the Original Agreement to increase the amount of reclaimed water provided to City.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants and conditions contained herein, the parties agree as follows:

1. ***Recitals Incorporated.*** The foregoing Recitals are incorporated herein by reference.

2. ***Term.*** The term of this Agreement shall be perpetual, provided, however, that City shall have the right to terminate this Agreement upon thirty (30) years written notice to VVWRA. This Agreement shall terminate automatically if CITY terminates the Service Agreement with VVWRA, or if the CITY withdraws from the VVWRA joint powers agency agreement.

3. ***Quantity of Reclaimed Water and Point of Delivery.***

(A) VVWRA shall make available for delivery to City all of its treated wastewater effluent in excess of the quantities discharged as Transition Zone Water ("reclaimed water"), if and when such water is available for delivery from VVWRA to CITY. CITY shall purchase and accept an amount of reclaimed water necessary for all CITY's uses and customers, but excluding any areas prohibited by federal, state, and/or local laws.

(B) VVWRA will deliver said reclaimed water to City at a metered point of connection located at the boundary of the property line of the VVWRA regional treatment facility, at a point of connection to be designated by the VVWRA's General Manager (Point of Delivery). VVWRA shall provide reclaimed water at a pressure sufficient to convey reclaimed water to the elevation of the pond at the golf course at SCLA.

(C) CITY shall be responsible for conveyance and use of reclaimed water beyond the Point of Delivery. CITY shall be responsible for compliance with all applicable federal, state, and local laws and regulations beyond the Point of Delivery. Such compliance shall be met by all of CITY's conveyance facilities and uses of the reclaimed water. CITY shall be fully responsible for any and all fines and penalties issued by any regulatory or policing agency, as a result of CITY's failure to comply with any condition, term, or standard required by said regulatory or policing agency.

(D) CITY shall notify VVWRA's General Manager by telephone and in writing of conditions that would require a cessation of water deliveries, or the resumption of water deliveries following a cessation. Likewise, VVWRA shall notify CITY's City Manager by telephone and in writing of conditions that would require an interruption of water deliveries, or the resumption of water deliveries following an interruption. VVWRA shall obtain permission from CITY by telephone or in writing prior to suspending and/or resuming deliveries of reclaimed water.

4. ***Commencement of Reclaimed Water Service.*** The date for VVWRA's initial delivery of reclaimed water to CITY was January 26, 2005. VVWRA will use due diligence to make reclaimed water available for delivery to CITY on and following the commencement date. CITY will use due diligence to receive and use reclaimed water on and following the commencement date.

5. ***Duties of the Parties Regarding Reclaimed Water Service.***

(A) CITY shall be responsible for securing the land and funding necessary for the construction of a piping system to convey the reclaimed water delivered under this Agreement beyond the property boundary of VVWRA. CITY and VVWRA will mutually agree on the design and construction of the necessary conveyance facilities. Unless dedicated to VVWRA, CITY will construct, own, operate and maintain the conveyance facilities beyond the property boundary of VVWRA.

(B) VVWRA agrees to make available for delivery all reclaimed water needed by City at the Point of Delivery designated in Article 3(B). Modification of the Point of Delivery of reclaimed water may only occur upon the prior written approval of the VVWRA.

(C) CITY shall be responsible for conveyance and use of reclaimed water beyond the Point of Delivery in accordance with the any applicable Federal, State and local health regulations.

(D) VVWRA will obtain all necessary permits and approvals for the delivery system to the service metered connection at the Point of Delivery. Any permit and approvals required for facilities beyond the Point of Delivery shall be the responsibility of the CITY.

(E) The reclaimed water from the VVWRA treatment plant is treated under current treatment standards required by Title 22 of the California Code of Regulations. VVWRA agrees that it will deliver reclaimed water, which meets all such regulatory requirements for all of the City's uses of the reclaimed water under Title 22. VVWRA's delivery of recycled water to the

CITY under this Agreement shall comply with the current treatment standards required by Title 22 of the California Code of Regulations. If the CITY's use of recycled water requires treatment that exceeds the requirements of Title 22, VVWRA and the CITY shall meet and confer in good faith to discuss the possibility of additional treatment and, if VVWRA agrees to such additional treatment, CITY agrees to pay for any additional costs involved in the additional treatment.

(F) VVWRA agrees to monitor the quality of reclaimed water to ascertain that the reclaimed water meets the applicable standards of Article 5(E). If VVWRA discovers that the reclaimed water fails to meet the aforementioned standards, VVWRA shall terminate reclaimed water service until the water meets such standards, and CITY shall rely on alternate water supplies until service of reclaimed water is resumed. In the event that CITY discovers the reclaimed water supplied by VVWRA fails to meet the standards as set forth herein, CITY shall immediately notify VVWRA by telephone, and in writing in accordance with Article 25. VVWRA shall not be liable for any damage, harm, or economic loss suffered by CITY, its agents or customers, due to VVWRA's inability to deliver reclaimed water that meets the applicable standards of Article 5(E).

(G) Tests conducted by VVWRA to monitor the quality of reclaimed water supplied to the CITY shall be available for review by CITY, upon written request by CITY.

6. ***Charges for Reclaimed Water.***

(A) VVWRA shall charge the City Thirty-Five Dollars ($35.00) per acre foot, plus actual pumping costs, as measured by VVWRA at the metered Point of Delivery.

(B) VVWRA shall submit an invoice to CITY confirming the quantity of reclaimed water delivered during the previous month, and the corresponding charges for such deliveries. CITY shall make payment on the invoice within thirty (30) days of the date of the invoice.

7. ***Obtaining Approvals.*** The effectiveness of this Agreement is contingent on VVWRA and CITY obtaining all necessary approvals required to effectuate the delivery and sale of reclaimed water under this Agreement. VVWRA and City shall jointly obtain all necessary approvals required to effectuate the delivery and sale of reclaimed water under this Agreement. City shall act as the lead agency for processing and reviewing the proposed project as may be required under the California Environmental Quality Act ("CEQA"), and City will perform the necessary CEQA review and compliance activities. In addition to the indemnification provisions set forth in section 10 below, CITY agrees to indemnify, defend and hold VVWRA harmless for any NEPA, CEQA or other environmental challenge to performance under this Agreement by VVWRA. VVWRA's obligation to provide recycled water under this Agreement is conditioned upon the City's adequate completion of legally defensible environmental documents.

8. ***Interruptions to Service.*** CITY acknowledges that VVWRA shall not be responsible, or liable for any damage, harm, or economic loss suffered by CITY, its agents or customers, or any other third party due to any interruption, reduction, or cessation in deliveries of reclaimed water under this Agreement that are caused by or arise out of system failures, unanticipated maintenance requirements, routine maintenance requirements, accidents, inadequate capacity, substantial changes in regulatory agency requirements, acts of God, orders of any court or government agency, or any other reason or condition beyond the control of VVWRA.

9. ***Water Rights Not Affected.*** No delivery of water pursuant to this Agreement shall confer any appropriative, public trust or other right to water on any person or entity, excepting CITY's contractual rights to purchase water under this Agreement. The only rights granted to the parties as a result of this Agreement are those expressly set forth herein.

10. ***Indemnity.***

(A) City agrees to indemnify, hold harmless, and defend VVWRA, its elected officials, officers, employees, or agents, against any loss, demand, claim, cause of action, or other legal liability, personal injury or economic loss that occurs in any way incident to, connected with, or arising directly or indirectly out of any of the following: (1) reclaimed water delivered by VVWRA under this Agreement in compliance with Title 22 of the California Code of Regulations, or (2) CITY's ownership, operation, or maintenance of facilities to receive, convey, store, or use the reclaimed water, or (3) CITY's performance or non-performance of this Agreement.

(B) With the exception of the instances set forth in paragraph 8 above regarding interruption of service, VVWRA agrees to indemnify, hold harmless, and defend CITY, its elected officials, officers, employees, or agents, against any loss, demand, claim, cause of action, or other legal liability or economic loss that occurs in any way incident to, connected with, or arising directly or indirectly out of VVWRA's performance or non-performance of this Agreement.

11. ***Construction and Interpretation.*** It is agreed and acknowledged by the parties that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party shall not apply in construing or interpreting this Agreement.

12. ***Termination.*** In the event of a material breach of any material term or provision of this Agreement by either party, and such breach is not cured or removed within ninety (90) days after service of written notice of such breach upon the breaching party, then the non-breaching party shall have the right and option to terminate this Agreement, provided, however, that should the breaching party, prior to the expiration of the ninety (90) day cure period, diligently commences to cure such breach, but is unable to do so within the ninety (90) day period, then such period shall be extended for an additional ninety (90) day period. This Agreement shall terminate

automatically if CITY terminates the Service Agreement with VVWRA, or if the CITY withdraws from the VVWRA joint powers agency agreement.

13. ***Obligations Prior to Termination.*** The obligations of the parties incurred pursuant to this Agreement prior to the termination of this Agreement shall survive the termination.

14. ***Severability.*** The invalidity, illegality or unenforceability of any provision of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

15. ***Governing Law.*** This Agreement shall be interpreted and enforced pursuant to the laws of the State of California.

16. ***Modifications.*** This Agreement can only be modified by a written instrument executed by both parties.

17. ***Entire Agreement.*** This Agreement contains the entire understanding of the parties related to their interests, obligations, and rights in connection with the subject matter set forth herein. All prior communications, negotiations, stipulations, and understandings, whether oral or written, are of no force nor effect, and are superseded, except as referenced herein.

18. ***Assigns and Successors.*** This Agreement shall be binding upon, and inure to the benefit of, the assigns or successors-in-interest of the parties herein.

19. ***No Third Party Beneficiary.*** The parties to this Agreement do not intend to create any third party beneficiaries to this Agreement, and expressly deny the creation of any third party beneficiary rights hereunder toward any person or entity.

20. ***Time.*** Time is of the essence in the performance of each and every term of this Agreement.

21. ***Waiver.*** The waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel, forgiveness or waiver by any party to that term or condition.

22. ***Attorneys' Fees.*** If it shall be necessary for any party hereto to commence legal action or arbitration to enforce the terms and provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, expenses and costs incurred therein. The expenses and costs incurred shall include, without limitation to other reasonable expenses and costs, the costs of any experts employed in either the preparation or presentation of any evidence in such proceedings.

23. ***Captions.*** The paragraph captions in this Agreement are for convenience only and shall not be used in construing the Agreement.

24. ***Additional Documents.*** Each party agrees to make, execute, and deliver any and all documents and to join in any application or other action reasonably required to implement this Agreement.

25. ***Notice.*** Any and all communications and/or notices in connection with this Agreement shall be either hand-delivered or sent by United States first class mail, postage prepaid, and addressed as follows:

To: VVWRA	To: CITY
VVWRA General Manager 20111 Shay Road Victorville, CA 92394 (760) 246-8638	Victorville City Manager 14343 Civic Drive Victorville, CA 92392 (760) 955-5000

The parties may change the foregoing addresses by providing written notice in compliance with this paragraph.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

VICTOR VALLEY WASTEWATER
RECLAMATION AUTHORITY

By _____ Dated: 8/26/05
John Graff, Chair
VVWRA Board of Commissioners

THE CITY OF VICTORVILLE

By _____ Dated: 9/2/05
Jon Roberts
Manager, City of Victorville

APPROVED AS TO FORM:

By: _____ Date: _____, 2005
City Attorney

APPROVED AS TO FORM:

By: _____ Date: 10/15, 2005
VVWRA Attorney

EXHIBIT "A"
1998 Memo of Understanding

MEMORANDUM OF UNDERSTANDING BETWEEN VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY AND CITY OF VICTORVILLE FOR USE OF RECLAIMED WATER AT SCIA

The parties to this Memorandum of Understanding (MOU) are the City of Victorville (City) and the Victor Valley Wastewater Reclamation Authority (VVWRA). The parties anticipate that a legally binding agreement or agreements will be executed among and between the City and VVWRA regarding the development of a system to provide reclaimed water produced by VVWRA to the City for the irrigation of the golf course and other uses at the Southern California International Airport (SCIA). Through this MOU, the parties hereby express their respective positions and understandings regarding the City's need for reclaimed water, the construction and operation of a reclaimed water pumping system, the construction and operation of a reclaimed water conveyance system, and the delivery of reclaimed water by VVWRA to the City at SCIA. Accordingly, said formal agreement(s) shall, where appropriate, adhere to and otherwise incorporate the understandings expressed herein.

The City of Victorville operates the existing 9-hole golf course located at SCIA. Prior to the construction of the VVWRA regional treatment facility, the Air Force operated a wastewater treatment facility on the former George Air Force Base and used treated effluent from the facility to irrigate the golf course, softball diamonds, soccer fields, and other landscaped areas. Since the closure of the Air Force wastewater treatment facility, potable groundwater has been used for irrigation. Due to the rising cost of groundwater and concerns regarding the overdraft of the regional aquifer, the City has been investigating options to replace purchased potable water for irrigation. To accomplish the latter, City agrees to the construction and operation of a reclaimed water conveyance system to transport treated effluent from VVWRA's regional facility to SCIA.

City agrees to purchase reclaimed water for SCIA from VVWRA and to provide land and the funding necessary for the construction of a piping system to convey reclaimed water between the regional facility and storage ponds located at the former SCIA treatment facility. City will improve the storage pond(s), if required, for use as reclaimed water storage. City will utilize economic development grant funds for the project. City and VVWRA will mutually agree upon the design and construction of the conveyance system. The Victorville Sanitary District (VSD) will provide 25% of the capital funds necessary to design and construct the conveyance system to match the City's 75% EDA Grant. Unless dedicated to VVWRA, City will construct, own, operate, and maintain the conveyance system.

VVWRA agrees to provide up to 1.5 million gallons per day (1,680 acre feet per year) of Title 22 effluent to SCIA and to provide the funding necessary for the construction of the reclaimed water pumping system. To construct the pumping system, VVWRA will utilize Bureau of Reclamation Grant Funds, State Revolving Loan Funds, or existing VVWRA capital improvement funds. If existing capital improvement funds are utilized, the borrowed moneys will be repaid to the capital improvement fund with interest using a capital recovery assessment on each unit of reclaimed water sold to City.

VVWRA will periodically review the cost of providing reclaimed water to SCIA and may adjust the unit cost charged to City as needed. VVWRA and City may agree to a long-term contract to provide reclaimed water based on an agreed rate and a guaranteed minimum pumping quantity. It is anticipated at this time that a rate of approximately $77-$85 per acre foot would

be charged to City for the reclaimed water, which includes pumping costs but does not include any capital recovery assessment, estimated not to exceed $15 per acre foot.

City will be responsible for indemnifying VVWRA against all claims related to the use of reclaimed water for irrigation on the golf course and SCIA as long as reclaimed water meets the current requirements of CCR Title 22. Likewise VVWRA will indemnify City for the same.

City reserves the right to negotiate an increase in the limit of the amount of reclaimed water at such time in the future if or when the demand increases.

Approved by the VVWRA Board of Commissioners on October 29, 1998, subject to revisions proposed by Legal Counsel James P. Morris.

Revised per Counsel Morris' comments and distributed in this form on November 19, 1998.

File Name: OCT 98, Memo of Underst. VVWRA – CoV.doc

EXHIBIT "B"
1999 Reclaimed Water Service Agreement

AGREEMENT FOR RECLAIMED WATER SERVICE

This Agreement For Reclaimed Water Service ("Agreement") is made and entered into this 16TH day of April, 1999, by and between the Victor Valley Wastewater Reclamation Authority ("VVWRA"), and the City of Victorville ("CITY").

RECITALS

1. VVWRA is a regional joint exercise of powers agency of the State of California, and CITY is a municipality formed under the laws of the State of California, and both are empowered to enter into this Agreement.

2. VVWRA and CITY have entered into a Memorandum of Understanding ("MOU"), approved by the VVWRA Board of Commissioners on October 29, 1998, and distributed on November 19, 1998, regarding VVWRA's sale and delivery of reclaimed water to City for City's irrigation of its Westwinds Golf course, and other irrigation uses at the Southern California International Airport ("SCIA").

3. VVWRA and CITY desire to replace the current use of potable groundwater for said irrigation purposes, address the rising costs of groundwater and other concerns regarding the overdraft of the regional aquifer, and encourage the use of reclaimed water for non-potable uses.

4. This Agreement is intended to implement the principles of Agreement set forth in said MOU, upon the following terms and conditions.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants and conditions contained herein, the parties agree as follows:

1. ***Recitals Incorporated.*** The foregoing Recitals are incorporated herein by reference.

2. ***Term.*** This Agreement shall be effective for a period of ten (10) years unless the term is extended by mutual agreement, or unless the Agreement is terminated in accordance with the terms and conditions described herein.

3. ***Quantity of Reclaimed Water and Point of Delivery.***

(A) VVWRA will provide up to 1.5 million gallons per day (up to 1,680 acre feet annually) of VVWRA's treated wastewater effluent ("reclaimed water") to CITY, if and when such water is available for delivery from VVWRA to CITY, and upon CITY's completion of construction of the necessary conveyance facilities pursuant to Article 5(A) of this Agreement. CITY shall purchase and accept reclaimed water for CITY's reasonable and beneficial irrigation uses at the Westwinds Golf Course, athletic fields, and other landscaped areas at SCIA, but excluding any areas prohibited by federal, state, and/or local laws. CITY reserves the right to negotiate an increase in the limit of the amount of reclaimed water delivered under this Agreement if at such future time reclaimed water supplies and/or demand increases, and the City would be responsible for all associated costs. Should City, at City's sole discretion, elect to accept less than 1.5 million gallons per day (1,680 acre feet per year) of reclaimed water, VVWRA shall have the right to sell reclaimed water to purchasers other than the City. Notwithstanding said right to sell, City shall have the right of first refusal to purchase up to 1.5 million gallons per day pursuant to the terms and conditions of this Agreement.

(B) VVWRA will deliver said reclaimed water to City at a metered point of connection located within the boundaries of the VVWRA treatment plant at a connection located adjacent to the existing Reclaimed Water Pumping Station, as designated by the VVWRA's General Manager. VVWRA shall provide reclaimed water at a flow rate and pressure sufficient to convey reclaimed water to the elevation of the pond at the golf course at SCIA. The CITY and VVWRA shall execute a separate mutual use agreement for that portion of the conveyance system located on property owned by VVWRA.

(C) CITY shall be responsible for conveyance and use of reclaimed water beyond the point of delivery. CITY shall be responsible for compliance with all applicable federal, state, and local laws and regulations beyond the point of delivery. Such compliance shall be met by all of CITY's conveyance facilities and uses of the reclaimed water. CITY shall be fully responsible for any and all fines and penalties issued by any regulatory or policing agency, as a result of CITY's failure to comply with any condition, term, or standard required by said regulatory or policing agency.

(D) CITY shall notify VVWRA's General Manager by telephone and in writing of conditions that would require a cessation of water deliveries, or the resumption of water deliveries following a cessation. Likewise, VVWRA shall notify CITY's City Manager by telephone and in writing of conditions that would require an interruption of water deliveries, or the resumption of water deliveries following an interruption. VVWRA shall obtain permission from the CITY by telephone or in writing prior to resuming deliveries of reclaimed water.

4. ***Commencement of Reclaimed Water Service.*** The tentative date for VVWRA's initial delivery of reclaimed water to the CITY is August, 1999. VVWRA will send CITY a notice of the estimated date of the availability of reclaimed water, which is contingent upon obtaining the necessary regulatory permits. VVWRA will use due diligence to make reclaimed water available for delivery to CITY on the anticipated commencement date. CITY will use due diligence to receive and use reclaimed water on the anticipated commencement date.

5. ***Duties of the Parties Regarding Reclaimed Water Service.***

(A) CITY agrees to secure the land and funding necessary for the construction of a piping system to convey the reclaimed water delivered under this Agreement from the delivery point at VVWRA to the storage ponds located at SCIA. VVWRA agrees to provide permanent easements to CITY for the portion of the piping system that is located on property owned by VVWRA, although such easement shall not be exclusive. The

CITY shall improve the storage ponds, if necessary, for CITY's storage and use of reclaimed water at SCIA. CITY and VVWRA will mutually agree on the design and construction of the necessary conveyance facilities, provided, however, that such design and construction must be consistent with the December 8, 1998, Initial Study prepared for the project, and must not result in any significant environmental impacts that have not been addressed in said Initial Study and/or the mitigated negative declaration adopted for this project. Unless dedicated to VVWRA, CITY will construct, own, operate and maintain the conveyance facilities.

(B) VVWRA agrees to deliver, and CITY agrees to accept delivery of, the reclaimed water at the point designated in Article 3(B). Modification of the location of delivery of reclaimed water may only occur upon the prior written approval of the VVWRA.

(C) CITY shall be responsible for conveyance and use of reclaimed water beyond the point of delivery in accordance with the any applicable Federal, State and local health regulations.

(D) VVWRA will obtain all necessary permits and approvals for the delivery system to the service metered connection at the point of delivery. Any permit and approvals required for facilities beyond the meter shall be the responsibility of the CITY.

(E) The reclaimed water from the VVWRA treatment plant is treated so that it may be used for landscape irrigation and impoundments under current treatment standards required by Title 22 of the California Code of Regulations. VVWRA agrees that it will deliver reclaimed water, which meets all such regulatory requirements for landscape irrigation and impoundments.

(F) VVWRA agrees to monitor the quality of reclaimed water to ascertain that the reclaimed water meets the applicable standards of Article 5(E). If VVWRA discovers that the reclaimed water fails to meet the aforementioned standards, VVWRA shall

terminate reclaimed water service until the water meets such standards, and CITY shall rely on alternate water supplies until service of reclaimed water is resumed. In the event that CITY discovers the reclaimed water supplied by VVWRA fails to meet the standards as set forth herein, CITY shall immediately notify VVWRA by telephone, and in writing in accordance with Article 25. VVWRA shall not be liable for any damage, harm, or economic loss suffered by CITY, its agents or customers, due to VVWRA's inability to deliver reclaimed water that meets the applicable standards of Article 5(E).

(G) Tests conducted by VVWRA to monitor the quality of reclaimed water supplied to the CITY shall be available for review by CITY, upon written request by CITY.

6. ***Charges for Reclaimed Water.***

(A) The charges for VVWRA's delivery of reclaimed water to CITY shall initially be as set forth in the attached rate schedule, based upon a unit rate per acre foot of reclaimed water as measured by VVWRA at the metered delivery point. This rate may be changed by VVWRA from time to time in accordance with VVWRA's periodic review of the costs of providing reclaimed water to SCIA, and the periodic review shall consider costs adjusted by the Consumer Price Index (CPI). The rate shall include a component of revenue assessed in excess of VVWRA's cost to produce the water that shall not exceed $35 per acre-foot for the first five (5) years of the Agreement. After the first five (5) years of the Agreement, the amount of this component of revenue may be reviewed and revised periodically by VVWRA.

(B) VVWRA shall submit an invoice to CITY confirming the quantity of reclaimed water delivered during the previous month, and the corresponding charges for such deliveries, including a minimum monthly capital recovery cost, if applicable. CITY shall make payment on the invoice within thirty (30) days of the date of the invoice.

7. ***Obtaining Approvals.*** This Agreement is contingent upon VVWRA obtaining an Order from the State Water Resources Control Board ("SWRCB") approving VVWRA's Petition for Change Re: Treated Wastewater, as filed with the SWRCB on December 11, 1998 pursuant to Water Code section 1211. The effectiveness of this Agreement is also contingent on VVWRA and CITY obtaining all other necessary approvals required to effectuate the delivery and sale of reclaimed water under this Agreement. VVWRA and CITY shall jointly obtain all other necessary approvals required to effectuate the delivery and sale of reclaimed water under this Agreement. VVWRA shall act as the lead agency for processing and reviewing the proposed project as required under the California Environmental Quality Act ("CEQA"), and VVWRA will perform the necessary CEQA review and compliance activities.

8. ***Conditions to Approvals and Premature Termination.*** If at any time hereafter, the SWRCB, or any other federal, state or local regulatory agency places any conditions upon the delivery of reclaimed water under this Agreement, including but not limited to, requiring the payment of money or the provision of additional water, then either VVWRA or CITY may elect to terminate this Agreement. If this Agreement is so terminated, neither VVWRA nor CITY shall have any liability to the other.

9. ***Interruptions to Service.*** CITY acknowledges that VVWRA shall not be responsible, or liable for any damage, harm, or economic loss suffered by CITY, its agents or customers, due to any interruption, reduction, or cessation in deliveries of reclaimed water under this Agreement that are caused by or arise out of system failures, unanticipated maintenance requirements, routine maintenance requirements, accidents, inadequate capacity, unseasonal flows, substantial changes in regulatory agency requirements, acts of God, orders of any court or government agency, or any other reason or condition beyond the control of VVWRA.

10. ***Water Rights Not Affected.*** No delivery of water pursuant to this Agreement shall confer any appropriative, public trust or other right to water on any person or

entity, excepting CITY's contractual rights to purchase water under this Agreement. The only rights granted to the parties as a result of this Agreement are those expressly set forth herein.

11. ***Indemnity.***

(A) City agrees to indemnify, hold harmless, and defend VVWRA, its elected officials, officers, employees, or agents, against any loss, demand, claim, cause of action, or other legal liability or economic loss that occurs in any way incident to, connected with, or arising directly or indirectly out of any of the following: (1) reclaimed water delivered by VVWRA under this Agreement in compliance with Title 22 of the California Code of Regulations, or (2) CITY's ownership, operation, or maintenance of facilities to receive, convey, store, or use the reclaimed water, or (3) CITY's performance or non-performance of this Agreement.

(B) VVWRA agrees to indemnify, hold harmless, and defend CITY, its elected officials, officers, employees, or agents, against any loss, demand, claim, cause of action, or other legal liability or economic loss that occurs in any way incident to, connected with, or arising directly or indirectly out of any of the following: (1) VVWRA's ownership, operation, or maintenance of any facilities for the delivery of the reclaimed water to CITY, or (2) VVWRA's performance or non-performance of this Agreement.

12. ***Construction and Interpretation.*** It is agreed and acknowledged by the parties that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party shall not apply in construing or interpreting this Agreement.

13. ***Termination.***

(A) CITY or VVWRA may terminate this Agreement with respect to performance of the Services for CITY or VVWRA, by providing the other Party written notice of such termination, and specifying the effective date thereof, at least ninety (90) days before the effective date. Upon termination, VVWRA shall be compensated for only the delivery of reclaimed water, which has been completed in accordance with this Agreement up to effective date of such termination.

(B) In the event of a breach of any term or provision of this Agreement by either party (termination for cause), CITY or VVWRA may terminate this Agreement with respect to performance of the Services of the other party by providing the other party with written notice of such termination, and specifying the effective date thereof, at least ten (10) days before the effective date. Upon termination, VVWRA shall be compensated for only the delivery of reclaimed water, which has been completed in accordance with this Agreement up to effective date of such termination.

(C Termination by either party, whether or not for cause, shall not affect the validity of the Agreement between CITY and VVWRA, nor shall such action affect any rights, remedies, or obligations of CITY or VVWRA.

14. ***Obligations Prior to Termination.*** The obligations of the parties incurred pursuant to this Agreement prior to the termination of this Agreement shall survive the termination.

15. ***Severability.*** The invalidity, illegality or unenforceability of any provision of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

16. ***Governing Law.*** This Agreement shall be interpreted and enforced pursuant to the laws of the State of California.

17. ***Modifications.*** This Agreement can only be modified by a written instrument executed by both parties.

18. ***Entire Agreement.*** This Agreement contains the entire understanding of the parties related to their interests, obligations, and rights in connection with the subject matter set forth herein. All prior communications, negotiations, stipulations, and understandings, whether oral or written, are of no force nor effect, and are superseded, except as referenced herein.

19. ***Assigns and Successors.*** This Agreement shall be binding upon, and inure to the benefit of, the assigns or successors-in-interest of the parties herein.

20. ***No Third Party Beneficiary.*** The parties to this Agreement do not intend to create any third party beneficiaries to this Agreement, and expressly deny the creation of any third party beneficiary rights hereunder toward any person or entity.

21. ***Time.*** Time is of the essence in the performance of each and every term of this Agreement.

22. ***Waiver.*** The waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel, forgiveness or waiver by any party to that term or condition.

23. ***Attorneys' Fees.*** If it shall be necessary for any party hereto to commence legal action or arbitration to enforce the terms and provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, expenses and costs incurred therein. The expenses and costs incurred shall include, without limitation to other reasonable expenses and costs, the costs of any experts employed in either the preparation or presentation of any evidence in such proceedings.

24. ***Captions.*** The paragraph captions in this Agreement are for convenience only and shall not be used in construing the Agreement.

25. ***Additional Documents.*** Each party agrees to make, execute, and deliver any and all documents and to join in any application or other action reasonably required to implement this Agreement.

26. ***Notice.*** Any and all communications and/or notices in connection with this Agreement shall be either hand-delivered or sent by United States first class mail, postage prepaid, and addressed as follows:

To: VVWRA	To: CITY
VVWRA General Manager 20111 Shay Road Victorville, CA 92394 (760) 246-8638	Victorville City Manager 14343 Civic Drive Victorville, CA 92392 (760) 955-5000

The parties may change the foregoing addresses by providing written notice in compliance with this paragraph.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

VICTOR VALLEY WASTEWATER
RECLAMATION AUTHORITY

By _____ Dated: 4/16/99
James Martin, Chair
VVWRA Board of Commissioners

THE CITY OF VICTORVILLE

By _____ Dated: 4-16-99
James Cox
Manager, City of Victorville

Reclaimed Agreement-VVWRA&Victorville.doc

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY

Rate Schedule

	Monthly Pumping Demand													
	10 acre feet	20 acre feet	30 acre feet	40 acre feet	50 acre feet	60 acre feet	70 acre feet	80 acre feet	90 acre feet	100 acre feet	110 acre feet	120 acre feet	130 acre feet	140 acre feet
Flow Rate (mg/day)	0.11	0.21	0.32	0.43	0.54	0.64	0.75	0.86	0.96	1.07	1.18	1.29	1.39	1.50
Total Unit Cost: $ per acre foot	$118.11	$89.63	$80.13	$75.38	$72.54	$70.64	$69.28	$68.26	$67.47	$66.84	$66.32	$65.89	$65.52	$65.21
Estimated Total Monthly Cost	$1,181	$1,793	$2,404	$3,015	$3,627	$4,238	$4,850	$5,461	$6,073	$6,684	$7,295	$7,907	$8,518	$9,131

The rate shown includes $35 per acre foot of new revenue that exceeds VVWRA's cost for pumping the reclaimed water and maintaining the pumping system. The latter will be used to reduce variable fees charged to the entities for monthly wastewater collection and treatment.

Monthly pumping demands that fall between the increments shown shall be billed at the higher rate. Example: A monthly pumping demand of 105 acre feet would be billed at $66.84 per acre foot.

EXHIBIT "C"
2002 Revised Reclaimed Water Service Agreement

AGREEMENT FOR RECLAIMED WATER SERVICE

This Agreement For Reclaimed Water Service ("Agreement") is made and entered into this 23rd day of July, 2002, by and between the Victor Valley Wastewater Reclamation Authority ("VVWRA"), and the City of Victorville ("CITY").

RECITALS

1. VVWRA is a regional joint exercise of powers agency of the State of California, and CITY is a municipality formed under the laws of the State of California, and both are empowered to enter into this Agreement.

2. VVWRA and CITY have entered into a Memorandum of Understanding ("MOU"), approved by the VVWRA Board of Commissioners on October 29, 1998, and distributed on November 19, 1998, regarding VVWRA's sale and delivery of reclaimed water to City for City's irrigation of its Westwinds Golf course, and other irrigation uses at the Southern California Logistics Airport ("SCLA").

3. VVWRA and CITY desire to replace the current use of potable groundwater for said irrigation purposes, address the rising costs of groundwater and other concerns regarding the overdraft of the regional aquifer, and encourage the use of reclaimed water for non-potable uses.

4. This Agreement is intended to implement the principles of Agreement set forth in said MOU, upon the following terms and conditions.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants and conditions contained herein, the parties agree as follows:

1. ***Recitals Incorporated.*** The foregoing Recitals are incorporated herein by reference.

2. ***Term.*** This Agreement shall be effective for a period of ten (10) years unless the term is extended by mutual agreement, or unless the Agreement is terminated in accordance with the terms and conditions described herein.

3. ***Quantity of Reclaimed Water and Point of Delivery.***

(A) VVWRA will provide up to 1.5 million gallons per day (up to 1,680 acre feet annually) of VVWRA's treated wastewater effluent ("reclaimed water") to CITY, if and when such water is available for delivery from VVWRA to CITY, and upon CITY's completion of construction of the necessary conveyance facilities pursuant to Article 5(A) of this Agreement. CITY shall purchase and accept reclaimed water for CITY's reasonable and beneficial irrigation uses at the Westwinds Golf Course, athletic fields, and other landscaped areas at SCLA, but excluding any areas prohibited by federal, state, and/or local laws. CITY reserves the right to negotiate an increase in the limit of the amount of reclaimed water delivered under this Agreement if at such future time reclaimed water supplies and/or demand increases, and the City would be responsible for all associated costs.

(B) VVWRA will deliver said reclaimed water to City at a metered point of connection located within the boundaries of the VVWRA treatment plant at a connection located adjacent to the existing Reclaimed Water Pumping Station, as designated by the VVWRA's General Manager. VVWRA shall provide reclaimed water at a flow rate and pressure sufficient to convey reclaimed water to the elevation of the pond at the golf course at SCLA. The CITY and VVWRA shall execute a separate mutual use agreement for that portion of the conveyance system located on property owned by VVWRA.

(C) CITY shall be responsible for conveyance and use of reclaimed water beyond the point of delivery. CITY shall be responsible for compliance with all applicable federal, state, and local laws and regulations beyond the point of delivery. Such compliance shall be met by all of CITY's conveyance facilities and uses of the reclaimed water. CITY shall be fully responsible for any and all fines and penalties

issued by any regulatory or policing agency, as a result of CITY's failure to comply with any condition, term, or standard required by said regulatory or policing agency.

(D) CITY shall notify VVWRA's General Manager by telephone and in writing of conditions that would require a cessation of water deliveries, or the resumption of water deliveries following a cessation. Likewise, VVWRA shall notify CITY's City Manager by telephone and in writing of conditions that would require an interruption of water deliveries, or the resumption of water deliveries following an interruption. VVWRA shall obtain permission from the CITY by telephone or in writing prior to resuming deliveries of reclaimed water.

4. ***Commencement of Reclaimed Water Service.*** The tentative date for VVWRA's initial delivery of reclaimed water to the CITY is August, 1999. VVWRA will send CITY a notice of the estimated date of the availability of reclaimed water, which is contingent upon obtaining the necessary regulatory permits. VVWRA will use due diligence to make reclaimed water available for delivery to CITY on the anticipated commencement date. CITY will use due diligence to receive and use reclaimed water on the anticipated commencement date.

5. ***Duties of the Parties Regarding Reclaimed Water Service.***

(A) CITY agrees to secure the land and funding necessary for the construction of a piping system to convey the reclaimed water delivered under this Agreement from the delivery point at VVWRA to the storage ponds located at SCLA. VVWRA agrees to provide permanent easements to CITY for the portion of the piping system that is located on property owned by VVWRA, although such easement shall not be exclusive. The CITY shall improve the storage ponds, if necessary, for CITY's storage and use of reclaimed water at SCLA. CITY and VVWRA will mutually agree on the design and construction of the necessary conveyance facilities, provided, however, that such design and construction must be consistent with the December 8, 1998, Initial Study prepared for the project, and must not result in any significant environmental impacts that have not

been addressed in said Initial Study and/or the mitigated negative declaration adopted for this project. Unless dedicated to VVWRA, CITY will construct, own, operate and maintain the conveyance facilities.

(B) VVWRA agrees to deliver, and CITY agrees to accept delivery of, the reclaimed water at the point designated in Article 3(B). Modification of the location of delivery of reclaimed water may only occur upon the prior written approval of the VVWRA.

(C) CITY shall be responsible for conveyance and use of reclaimed water beyond the point of delivery in accordance with the any applicable Federal, State and local health regulations.

(D) VVWRA will obtain all necessary permits and approvals for the delivery system to the service metered connection at the point of delivery. Any permit and approvals required for facilities beyond the meter shall be the responsibility of the CITY.

(E) The reclaimed water from the VVWRA treatment plant is treated so that it may be used for landscape irrigation and impoundments under current treatment standards required by Title 22 of the California Code of Regulations. VVWRA agrees that it will deliver reclaimed water, which meets all such regulatory requirements for landscape irrigation and impoundments.

(F) VVWRA agrees to monitor the quality of reclaimed water to ascertain that the reclaimed water meets the applicable standards of Article 5(E). If VVWRA discovers that the reclaimed water fails to meet the aforementioned standards, VVWRA shall terminate reclaimed water service until the water meets such standards, and CITY shall rely on alternate water supplies until service of reclaimed water is resumed. In the event that CITY discovers the reclaimed water supplied by VVWRA fails to meet the standards as set forth herein, CITY shall immediately notify VVWRA by telephone, and in writing in accordance with Article 25. VVWRA shall not be liable for any damage, harm, or

economic loss suffered by CITY, its agents or customers, due to VVWRA's inability to deliver reclaimed water that meets the applicable standards of Article 5(E).

(G) Tests conducted by VVWRA to monitor the quality of reclaimed water supplied to the CITY shall be available for review by CITY, upon written request by CITY.

6. ***Charges for Reclaimed Water.***

(A) The charges for VVWRA's delivery of reclaimed water to CITY shall initially be as set forth in the attached rate schedule, based upon a unit rate per acre foot of reclaimed water as measured by VVWRA at the metered delivery point. This rate may be changed by VVWRA from time to time in accordance with VVWRA's periodic review of the costs of providing reclaimed water to SCLA, and the periodic review shall consider costs adjusted by the Consumer Price Index (CPI). The rate shall include a component of revenue assessed in excess of VVWRA's cost to produce the water that shall not exceed $35 per acre-foot for the first five (5) years of the Agreement. After the first five (5) years of the Agreement, the amount of this component of revenue may be reviewed and revised periodically by VVWRA.

(B) VVWRA shall submit an invoice to CITY confirming the quantity of reclaimed water delivered during the previous month, and the corresponding charges for such deliveries, including a minimum monthly capital recovery cost, if applicable. CITY shall make payment on the invoice within thirty (30) days of the date of the invoice.

7. ***Obtaining Approvals.*** The effectiveness of this Agreement is contingent on VVWRA and CITY obtaining all necessary approvals required to effectuate the delivery and sale of recycled water under this Agreement. VVWRA and City shall jointly obtain all necessary approvals required to effectuate the delivery and sale of recycled water under this Agreement. VVWRA shall act as the lead agency for processing and reviewing the proposed project as required under the California

Environmental Quality Act ("CEQA"), and VVWRA will perform the necessary CEQA review and compliance activities.

8. ***Conditions to Approvals and Premature Termination.*** If at any time hereafter, the SWRCB, or any other federal, state or local regulatory agency places any conditions upon the delivery of reclaimed water under this Agreement, including but not limited to, requiring the payment of money or the provision of additional water, then either VVWRA or CITY may elect to terminate this Agreement. If this Agreement is so terminated, neither VVWRA nor CITY shall have any liability to the other.

9. ***Interruptions to Service.*** CITY acknowledges that VVWRA shall not be responsible, or liable for any damage, harm, or economic loss suffered by CITY, its agents or customers, due to any interruption, reduction, or cessation in deliveries of reclaimed water under this Agreement that are caused by or arise out of system failures, unanticipated maintenance requirements, routine maintenance requirements, accidents, inadequate capacity, unseasonal flows, substantial changes in regulatory agency requirements, acts of God, orders of any court or government agency, or any other reason or condition beyond the control of VVWRA.

10. ***Water Rights Not Affected.*** No delivery of water pursuant to this Agreement shall confer any appropriative, public trust or other right to water on any person or entity, excepting CITY's contractual rights to purchase water under this Agreement. The only rights granted to the parties as a result of this Agreement are those expressly set forth herein.

11. ***Indemnity.***

(A) City agrees to indemnify, hold harmless, and defend VVWRA, its elected officials, officers, employees, or agents, against any loss, demand, claim, cause of action, or other legal liability or economic loss that occurs in any way incident to, connected with, or arising directly or indirectly out of any of the following: (1) reclaimed water delivered by VVWRA under this Agreement in compliance with Title 22 of the California Code of Regulations, or (2) CITY's ownership, operation, or maintenance of facilities to receive, convey, store, or use the reclaimed water, or (3) CITY's performance or non-performance of this Agreement.

(B) VVWRA agrees to indemnify, hold harmless, and defend CITY, its elected officials, officers, employees, or agents, against any loss, demand, claim, cause of action, or other legal liability or economic loss that occurs in any way incident to, connected with, or arising directly or indirectly out of any of the following: (1) VVWRA's ownership, operation, or maintenance of any facilities for the delivery of the reclaimed water to CITY, or (2) VVWRA's performance or non-performance of this Agreement.

12. ***Construction and Interpretation.*** It is agreed and acknowledged by the parties that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party shall not apply in construing or interpreting this Agreement.

13. ***Termination.***

(A) CITY or VVWRA may terminate this Agreement with respect to performance of the Services for CITY or VVWRA, by providing the other Party written notice of such termination, and specifying the effective date thereof, at least ninety (90) days before the effective date. Upon termination, VVWRA shall be compensated for

only the delivery of reclaimed water, which has been completed in accordance with this Agreement up to effective date of such termination.

(B) In the event of a breach of any term or provision of this Agreement by either party (termination for cause), CITY or VVWRA may terminate this Agreement with respect to performance of the Services of the other party by providing the other party with written notice of such termination, and specifying the effective date thereof, at least ten (10) days before the effective date. Upon termination, VVWRA shall be compensated for only the delivery of reclaimed water, which has been completed in accordance with this Agreement up to effective date of such termination.

(C Termination by either party, whether or not for cause, shall not affect the validity of the Agreement between CITY and VVWRA, nor shall such action affect any rights, remedies, or obligations of CITY or VVWRA.

14. ***Obligations Prior to Termination.*** The obligations of the parties incurred pursuant to this Agreement prior to the termination of this Agreement shall survive the termination.

15. ***Severability.*** The invalidity, illegality or unenforceability of any provision of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

16. ***Governing Law.*** This Agreement shall be interpreted and enforced pursuant to the laws of the State of California.

17. ***Modifications.*** This Agreement can only be modified by a written instrument executed by both parties.

18. ***Entire Agreement.*** This Agreement contains the entire understanding of the parties related to their interests, obligations, and rights in connection with the subject matter set forth herein. All prior communications, negotiations, stipulations, and

understandings, whether oral or written, are of no force nor effect, and are superseded, except as referenced herein.

19. ***Assigns and Successors.*** This Agreement shall be binding upon, and inure to the benefit of, the assigns or successors-in-interest of the parties herein.

20. ***No Third Party Beneficiary.*** The parties to this Agreement do not intend to create any third party beneficiaries to this Agreement, and expressly deny the creation of any third party beneficiary rights hereunder toward any person or entity.

21. ***Time.*** Time is of the essence in the performance of each and every term of this Agreement.

22. ***Waiver.*** The waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel, forgiveness or waiver by any party to that term or condition.

23. ***Attorneys' Fees.*** If it shall be necessary for any party hereto to commence legal action or arbitration to enforce the terms and provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, expenses and costs incurred therein. The expenses and costs incurred shall include, without limitation to other reasonable expenses and costs, the costs of any experts employed in either the preparation or presentation of any evidence in such proceedings.

24. ***Captions.*** The paragraph captions in this Agreement are for convenience only and shall not be used in construing the Agreement.

25. ***Additional Documents.*** Each party agrees to make, execute, and deliver any and all documents and to join in any application or other action reasonably required to implement this Agreement.

26. ***Notice.*** Any and all communications and/or notices in connection with this Agreement shall be either hand-delivered or sent by United States first class mail, postage prepaid, and addressed as follows:

To: VVWRA

VVWRA General Manager
20111 Shay Road
Victorville, CA 92394
(760) 246-8638

To: CITY

Victorville City Manager
14343 Civic Drive
Victorville, CA 92392
(760) 955-5000

The parties may change the foregoing addresses by providing written notice in compliance with this paragraph.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

VICTOR VALLEY WASTEWATER
RECLAMATION AUTHORITY

By _____ Dated: 7/23/02
Robert G. Sagona, Chair
VVWRA Board of Commissioners

THE CITY OF VICTORVILLE

By _____ Dated: 2/11/03
Jon Roberts
Manager, City of Victorville

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VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Reclaimed Water to SCIA
Rate Schedule

	Monthly Pumping Demand													
	10 acre feet	20 acre feet	30 acre feet	40 acre feet	50 acre feet	60 acre feet	70 acre feet	80 acre feet	90 acre feet	100 acre feet	110 acre feet	120 acre feet	130 acre feet	140 acre feet
Flow Rate (mg/day)	0.11	0.21	0.32	0.43	0.54	0.64	0.75	0.86	0.96	1.07	1.18	1.29	1.39	1.50
Total Unit Cost: $ per acre foot	$118.11	$89.63	$80.13	$75.38	$72.54	$70.64	$69.28	$68.26	$67.47	$66.84	$66.32	$65.89	$65.52	$65.21
Estimated Total Monthly Cost	$1,181	$1,793	$2,404	$3,015	$3,627	$4,238	$4,850	$5,461	$6,073	$6,684	$7,295	$7,907	$8,518	$9,131

The rate shown includes $35 per acre foot of new revenue that exceeds VVWRA's cost for pumping the reclaimed water and maintaining the pumping system. The latter will be used to reduce variable fees charged to the entities for monthly wastewater collection and treatment.

Monthly pumping demands that fall between the increments shown shall be billed at the higher rate. Example: A monthly pumping demand of 105 acre feet would be billed at $66.84 per acre foot.

EXHIBIT "D"
2004 Amended and Restated Reclaimed Water Service Agreement

AMENDED AND RESTATED
AGREEMENT FOR RECYCLED WATER SERVICE

This Amended and Restated Agreement For Recycled Water Service ("Agreement") is made and entered into this 18th day of May, 2004, by and between the Victor Valley Wastewater Reclamation Authority ("VVWRA"), and the City of Victorville ("CITY").

RECITALS

1. VVWRA is a regional joint exercise of powers agency of the State of California, and CITY is a municipality formed under the laws of the State of California, and both are empowered to enter into this Agreement.

2. VVWRA and CITY have entered into a Memorandum of Understanding ("MOU"), approved by the VVWRA Board of Commissioners on October 29, 1998, and distributed on November 19, 1998, regarding VVWRA's sale and delivery of recycled water to City for City's irrigation of its Westwinds Golf course, and other irrigation uses at the Southern California Logistics Airport ("SCLA").

3. VVWRA and CITY executed an Agreement for Recycled Water Service on February 11, 2003 (the "Original Agreement") to implement the principles of the agreement set forth in the MOU.

4. VVWRA and City now desire to replace the Original Agreement with this Agreement and implement the principles of agreement set forth in the MOU.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants and conditions contained herein, the parties agree as follows:

1. ***Recitals Incorporated.*** The foregoing Recitals are incorporated herein by reference.

2. ***Term.*** This Agreement shall become effective commencing on the date first written above (the "Commencement Date"). This Agreement shall remain in effect unless terminated by one or both parties in accordance with Article 13 of this Agreement. If either party wishes to terminate this Agreement, the party wishing to terminate shall give ninety (90) days written notice of its intent to terminate.

3. ***Quantity of Recycled Water and Point of Delivery.***

(A) VVWRA will provide up to 1.5 million gallons per day (up to 1,680 acre feet annually) of VVWRA's treated wastewater effluent ("recycled water") to CITY, if and when such water is available for delivery from VVWRA to CITY, and upon CITY's and VVWRA's completion of construction of the necessary conveyance facilities in accordance with Article 5(A) of this Agreement. CITY shall purchase and accept recycled water for CITY's reasonable and beneficial irrigation uses at the Westwinds Golf Course, athletic fields, and other landscaped areas at SCLA, but excluding any areas prohibited by federal, state, and/or local laws. CITY reserves the right to negotiate an increase in the limit of the amount of recycled water delivered under this Agreement if at such future time recycled water supplies and/or demand increases, and the City would be responsible for all associated costs.

(B) VVWRA will deliver said recycled water to CITY at a metered point of connection located at the boundary of the property line of the VVWRA regional treatment facility, at a point of connection to be designated by the VVWRA's General Manager ("Point of Delivery"). VVWRA shall provide recycled water at a flow rate and pressure sufficient to convey recycled water to the elevation of the pond at the golf course at SCLA. Neither CITY nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water delivered to CITY until such water has passed the Point of Delivery; nor for claim of damage of

any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water prior to such water passing the Point of Delivery, and including attorneys fees and other costs of defense in connection therewith; and VVWRA shall indemnify and hold harmless CITY and its officers, agents, and employees from any such damages or claims of damages.

(C) CITY shall be responsible for conveyance and use of recycled water beyond the Point of Delivery. CITY shall be responsible for compliance with all applicable federal, state, and local laws and regulations beyond the Point of Delivery. Such compliance shall be met by all of CITY's conveyance facilities and uses of the recycled water. CITY shall be fully responsible for any and all fines and penalties issued by any regulatory or policing agency, as a result of CITY's failure to comply with any condition, term, or standard required by said regulatory or policing agency. Neither VVWRA nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water delivered to CITY after such water has passed the Point of Delivery; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of water beyond the Point of Delivery, and including attorneys fees and other costs of defense in connection therewith; and CITY shall indemnify and hold VVWRA and its officers, agents, and employees from any such damages or claims of damages.

(D) CITY shall notify VVWRA's General Manager by telephone and in writing of conditions that would require a cessation of water deliveries, or the resumption of water deliveries following a cessation. Likewise, VVWRA shall notify CITY's City Manager by telephone and in writing of conditions that would require an interruption of water deliveries, or the resumption of water deliveries following an interruption. VVWRA shall obtain permission from the CITY by telephone or in writing prior to resuming deliveries of recycled water.

4. ***Commencement of Recycled Water Service.*** The tentative date for VVWRA's initial delivery of recycled water to the CITY is August 1, 2004. VVWRA will send CITY a notice of the estimated date of the availability of recycled water, which is contingent upon the construction and completion of a conveyance and pumping systems. If VVWRA's permanent pumping system is still under construction after the pipeline conveyance system is complete, and if the CITY is ready to begin accepting recycled water service, VVWRA may utilize a temporary pumping system to convey water to CITY until such time as the permanent pumping system can be completed and placed in operation. VVWRA will use due diligence to make recycled water available for delivery to CITY on the anticipated commencement date. CITY will use due diligence to receive and use recycled water on the anticipated commencement date.

5. ***Duties of the Parties Regarding Recycled Water Service.***

(A) CITY agrees to secure the land and/or easements, and the funding necessary for the construction, operation, and maintenance of a piping system to convey the recycled water delivered under this Agreement from the Point of Delivery to the storage ponds located at SCLA. VVWRA agrees to secure the funding necessary for the construction, operation, and maintenance of a pumping system and a piping system to convey the recycled water delivered under this Agreement to the Point of Delivery. The CITY shall improve the storage ponds, if necessary, for CITY's storage and use of recycled water at SCLA. CITY and VVWRA will mutually agree on the design and construction of the necessary conveyance facilities, provided, however, that such design and construction must be consistent with the December 8, 1998, Initial Study prepared for the project, and must not result in any significant environmental impacts that have not been addressed in said Initial Study and/or the mitigated negative declaration adopted for this project.

(B) VVWRA agrees to deliver, and CITY agrees to accept delivery of, the recycled water at the point designated in Article 3(B) of this Agreement. Modification of

the location of the Point of Delivery of recycled water may only occur upon the prior written approval of the VVWRA.

(C) CITY shall be responsible for conveyance and use of recycled water beyond the Point of Delivery in accordance with any applicable Federal, State and local health regulations.

(D) VVWRA will obtain all necessary permits and approvals for the delivery system to the Point of Delivery. Any permit and approvals required for facilities beyond the Point of Delivery shall be the responsibility of the CITY.

(E) The recycled water from the VVWRA treatment plant is treated so that it may be used for landscape irrigation and impoundments under current treatment standards required by Title 22 of the California Code of Regulations. VVWRA agrees that it will deliver recycled water, which meets all such regulatory requirements for landscape irrigation and impoundments.

(F) VVWRA agrees to monitor the quality of recycled water to ascertain that the recycled water meets the applicable standards of Article 5(E) of this Agreement. If VVWRA discovers that the recycled water fails to meet the aforementioned standards, VVWRA shall terminate recycled water service until the water meets such standards, and CITY shall rely on alternate water supplies until service of recycled water is resumed. In the event that CITY discovers the recycled water supplied by VVWRA fails to meet the standards as set forth herein, CITY shall immediately notify VVWRA by telephone, and in writing in accordance with Article 26 of this Agreement. VVWRA shall not be liable for any damage, harm, or economic loss suffered by CITY, its agents or customers, due to VVWRA's inability to deliver recycled water that meets the applicable standards of Article 5(E) of this Agreement.

(G) Tests conducted by VVWRA to monitor the quality of recycled water supplied to the CITY shall be available for review by CITY, upon written request by CITY.

6. ***Charges for Recycled Water.***

(A) The charges for VVWRA's delivery of recycled water to CITY shall initially be as set forth in the attached rate schedule, based upon a unit rate per acre foot of recycled water as measured by VVWRA at the metered Point of Delivery. This rate may be changed by VVWRA from time to time in accordance with VVWRA's periodic review of the costs of providing recycled water to SCLA, and the periodic review shall consider costs adjusted by the Consumer Price Index (CPI). The rate shall include a component of revenue assessed in excess of VVWRA's cost to produce the water that shall not exceed $35 per acre-foot for the first five (5) years of this Amended and Restated Agreement. After the first five (5) years of this Agreement, the amount of this component of revenue may be reviewed and revised periodically by VVWRA.

(B) VVWRA shall submit an invoice to CITY confirming the quantity of recycled water delivered during the previous month, and the corresponding charges for such deliveries. CITY shall make payment on the invoice within thirty (30) days of the date of the invoice.

7. ***Obtaining Approvals.*** The effectiveness of this Agreement is contingent on VVWRA and CITY obtaining and maintaining all necessary legal and regulatory approvals required to effectuate the delivery and sale of recycled water under this Agreement. VVWRA and City shall jointly obtain all necessary approvals required to effectuate the delivery and sale of recycled water under this Agreement. VVWRA previously acted as the lead agency for processing and reviewing the proposed project as required under the California Environmental Quality Act ("CEQA"). VVWRA adopted a Mitigated Negative Declaration for this project in 1999, which was

amended in 2002. In 2003 the CITY adopted the Mitigated Negative Declaration that was prepared and adopted by VVWRA.

8. ***Conditions to Approvals and Termination.*** If at any time hereafter, the SWRCB, or any other federal, state or local regulatory agency places any conditions upon the delivery of recycled water under this Agreement, including but not limited to, requiring the payment of money or the provision of additional water, then either VVWRA or CITY may elect to terminate this Agreement. If this Agreement is so terminated, neither VVWRA nor CITY shall have any liability to the other.

9. ***Interruptions to Service.*** CITY acknowledges that VVWRA shall not be responsible, or liable for any damage, harm, or economic loss suffered by CITY, its agents or customers, due to any interruption, reduction, or cessation in deliveries of recycled water under this Agreement that are caused by or arise out of system failures, unanticipated maintenance requirements, routine maintenance requirements, accidents, inadequate capacity, unseasonal flows, substantial changes in regulatory agency requirements, acts of God, orders of any court or government agency, or any other reason or condition beyond the control of VVWRA.

10. ***Water Rights Not Affected.*** No delivery of water pursuant to this Agreement shall confer any appropriative, public trust or other right to water on any person or entity, excepting CITY's contractual rights to purchase water under this Agreement. The only rights granted to the parties as a result of this Agreement are those expressly set forth herein.

11. ***Indemnity.***

(A) City agrees to indemnify, hold harmless, and defend VVWRA, its elected officials, officers, employees, or agents, against any loss, demand, claim, cause of action, or other legal liability or economic loss that occurs in any way incident to, connected with, or arising directly or indirectly out of any of the

following: (1) recycled water delivered by VVWRA under this Agreement in compliance with Title 22 of the California Code of Regulations, or (2) CITY's ownership, operation, or maintenance of facilities to receive, convey, store, or use the recycled water, or (3) CITY's performance or non-performance of this Agreement.

(B) VVWRA agrees to indemnify, hold harmless, and defend CITY, its elected officials, officers, employees, or agents, against any loss, demand, claim, cause of action, or other legal liability or economic loss that occurs in any way incident to, connected with, or arising directly or indirectly out of any of the following: (1) VVWRA's ownership, operation, or maintenance of any facilities for the delivery of the recycled water to CITY, or (2) VVWRA's performance or non-performance of this Agreement.

12. ***Construction and Interpretation.*** It is agreed and acknowledged by the parties that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party shall not apply in construing or interpreting this Agreement.

13. ***Termination.***

(A) CITY or VVWRA may terminate this Agreement with respect to performance of the Services for CITY or VVWRA, by providing the other Party written notice of such termination, and specifying the effective date thereof, at least ninety (90) days before the effective date. Upon termination, VVWRA shall be compensated for only the delivery of recycled water, which has been completed in accordance with this Agreement up to the effective date of such termination.

(B) In the event of a breach of any term or provision of this Agreement by either party (termination for cause), CITY or VVWRA may terminate this Agreement with respect to performance of the Services of the other party by providing the other party with written notice of such termination, and specifying the effective date thereof, at

least ten (10) days before the effective date. Upon termination, VVWRA shall be compensated for only the delivery of recycled water, which has been completed in accordance with this Agreement up to effective date of such termination.

(C) Termination by either party, whether or not for cause, shall not affect the validity of the Agreement between CITY and VVWRA, nor shall such action affect any rights, remedies, or obligations of CITY or VVWRA.

14. ***Obligations Prior to Termination.*** The obligations of the parties incurred pursuant to this Agreement prior to the termination of this Agreement shall survive the termination.

15. ***Severability.*** The invalidity, illegality or unenforceability of any provision of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

16. ***Governing Law.*** This Agreement shall be interpreted and enforced pursuant to the laws of the State of California.

17. ***Modifications.*** This Agreement can only be modified by a written instrument executed by both parties.

18. ***Entire Agreement.*** This Agreement contains the entire understanding of the parties related to their interests, obligations, and rights in connection with the subject matter set forth herein. All prior communications, negotiations, stipulations, and understandings, whether oral or written, are of no force nor effect, and are superseded, except as referenced herein.

19. ***Assigns and Successors.*** This Agreement shall be binding upon, and inure to the benefit of, the assigns or successors-in-interest of the parties herein.

20. ***No Third Party Beneficiary.*** The parties to this Agreement do not intend to create any third party beneficiaries to this Agreement, and expressly deny the creation of any third party beneficiary rights hereunder toward any person or entity.

21. ***Time.*** Time is of the essence in the performance of each and every term of this Agreement.

22. ***Waiver.*** The waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel, forgiveness or waiver by any party to that term or condition.

23. ***Attorneys' Fees.*** If it shall be necessary for any party hereto to commence legal action or arbitration to enforce the terms and provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, expenses and costs incurred therein. The expenses and costs incurred shall include, without limitation to other reasonable expenses and costs, the costs of any experts employed in either the preparation or presentation of any evidence in such proceedings.

24. ***Captions.*** The paragraph captions in this Agreement are for convenience only and shall not be used in construing the Agreement.

25. ***Additional Documents.*** Each party agrees to make, execute, and deliver any and all documents and to join in any application or other action reasonably required to implement this Agreement.

26. ***Notice.*** Any and all communications and/or notices in connection with this Agreement shall be either hand-delivered or sent by United States first class mail, postage prepaid, and addressed as follows:

To: VVWRA

VVWRA General Manager
20111 Shay Road
Victorville, CA 92394
(760) 246-8638

To: CITY

Victorville City Manager
14343 Civic Drive
Victorville, CA 92392
(760) 955-5000

The parties may change the foregoing addresses by providing written notice in compliance with this paragraph.

27. ***Termination of Original Agreement.*** Upon full execution and effectiveness of this Agreement, both parties hereby acknowledge and agree that agreement executed between the parties dated February 11, 2003 and entitled "Agreement for Recycled Water Service" shall be terminated and shall be null and void, with neither party having any liability or further obligation under such Agreement and without any compensation to either party as a result of termination.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

VICTOR VALLEY WASTEWATER
RECLAMATION AUTHORITY

By _____ Dated: 4/29/2004
Daniel P. Gallagher
Manager, VVWRA

THE CITY OF VICTORVILLE

By _____ Dated: 5-19-04
Jon Roberts
Manager, City of Victorville

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Reclaimed Water to SCIA
Rate Schedule

	Monthly Pumping Demand													
	10 acre feet	20 acre feet	30 acre feet	40 acre feet	50 acre feet	60 acre feet	70 acre feet	80 acre feet	90 acre feet	100 acre feet	110 acre feet	120 acre feet	130 acre feet	140 acre feet
Flow Rate (mg/day)	0.11	0.21	0.32	0.43	0.54	0.64	0.75	0.86	0.96	1.07	1.18	1.29	1.39	1.50
Total Unit Cost: $ per acre foot	$118.11	$89.63	$80.13	$75.38	$72.54	$70.64	$69.28	$68.26	$67.47	$66.84	$66.32	$65.89	$65.52	$65.21
Estimated Total Monthly Cost	$1,181	$1,793	$2,404	$3,015	$3,627	$4,238	$4,850	$5,461	$6,073	$6,684	$7,295	$7,907	$8,518	$9,131

The rate shown includes $35 per acre foot of new revenue that exceeds VVWRA's cost for pumping the reclaimed water and maintaining the pumping system. The latter will be used to reduce variable fees charged to the entities for monthly wastewater collection and treatment.

Monthly pumping demands that fall between the increments shown shall be billed at the higher rate. Example: A monthly pumping demand of 105 acre feet would be billed at $66.84 per acre foot.