



Mountain House Community Services District

230 S. Sterling Drive, Suite 100, Mountain House, CA 95391

Tel (209) 831-2300 • Fax (209) 831-5610

www.mhcsd.com

July 24, 2013

Kathy Stone
California District Operations Manager
P.O. Box 230
Corning, CA 96021

Dear Kathy,

RE: Severn Trent Contract

This letter is to confirm our discussions and understanding of the contract between the Mountain House Community Services District (MHCS D) and Severn Trent (SWWC) at the meeting on July 23, 2013.

In lieu of the video inspection of the wastewater and stormwater collection systems in the first paragraph of the section 5.A.3 of the agreement, the MHCS D agrees that flushing and cleaning of the 1/3 of the system every year, as has been practiced in recent years, is acceptable to the MHCS D. It is my understanding that the cleaning of the 1/3 of the system was the intent of the scope of work and what was negotiated, but was differently stated in the contract. The rest of the section remains in effect and is not impacted by this revision.

District Counsel has recommended that Section 5.A.3 of the agreement be awarded to reflect this change. If acceptable, District Counsel will draft the amendment and forward it for your review.

Sincerely,

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

Janice L. McClintock

- c: Gay Giles, MHCS D Finance Director
 Harpal Singh, MHCS D O & M Director
 Nader Shareghi, MHCS D Public Works Director
 Dan Schroeder, MHCS D Counsel
 John Miller, Severn Trent

"To Provide Quality Services to the Community"

AGREEMENT

OPERATION AND MAINTENANCE OF WATER, WASTEWATER AND STORMWATER FACILITIES AND UTILITY BILLING SERVICES FOR THE MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

This AGREEMENT is entered into as of this 1st day of July, 2011 (the "Effective Date") by and between:

Mountain House Community Services District, with its principal address at 230 South Sterling, Suite 100, Mountain House, California, 95391. (hereinafter "MHCS D")

And,

SWWC Services, Inc., with a business address at 2230 E. Bidwell St, Folsom, CA 95630 (hereinafter, "SWWC").

WHEREAS, MHCS D desires to obtain operating and maintenance services for a wastewater treatment plant and collection system (WASTEWATER FACILITIES), a water treatment plant and water distribution system (WATER FACILITIES), and stormwater collection system (STORMWATER FACILITIES), all collectively hereinafter referred to as "FACILITIES" or UTILITY FACILITIES, as described in Appendix A; and

WHEREAS, MHCS D desires to obtain billing services to levy and collect charges to customers for the use of "FACILITIES" and to levy and collect charges to customers for solid waste collection services; and

WHEREAS, MHCS D desires to contract with SWWC to provide operation and maintenance of the FACILITIES and to provide billing services, and SWWC desires and agrees to provide such services for the compensation provided herein;

WHEREAS, SWWC affirms that it has investigated the FACILITIES and is familiar with the plans and specifications and locations of FACILITIES (completed or currently under construction), along with the residential, commercial, industrial and public property development and construction plans for Mountain House during the projected next ten years and as approximately described in the Request for Proposals To Operate and Maintain and to Provide Billing Services for Mountain House Community Services District Water, Wastewater and Stormwater Utilities.

WHEREAS, MHCS D affirms that FACILITIES are or will be built in accordance with all applicable local, state, and federal regulations and that the FACILITIES will be in good working order, do not contain any known defective equipment not under warranty from the manufacturer

or construction contractor, and are suitable and adequate for the reasonable needs of its expected operations and is capable of meeting the treatment requirements as specified in the Regional Water Quality Board (RWQCB) discharge permit and California Department of Public Health (CDPH) permit.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the receipt, adequacy and sufficiency of which are hereby acknowledged, MHCS D and SWWC hereby agree as follows:

SECTION 1. General Provisions and Definitions

- 1.1 Appendix B to this AGREEMENT contains the definition of words and phrases used in this AGREEMENT and its appendices.
- 1.2 This AGREEMENT shall be governed by and interpreted in accordance with the laws of the State of California, without regard to its conflicts of law principles. The venue of any action or proceeding arising out of this AGREEMENT shall be San Joaquin County, California.
- 1.3 All notices shall be in writing and transmitted to the principals' addresses noted above.
- 1.4 Neither SWWC nor its parent corporation, employees, officers or representatives have any interest, nor will they directly or indirectly acquire any interest that will conflict with the performance of the responsibilities of SWWC provided for in this AGREEMENT and that SWWC, its parent corporation, employees, officers and representatives will comply with all national, state and local laws, statutes, regulations, and ordinances in performing the responsibilities provided for in this AGREEMENT.
- 1.5 The parties agree that in the event that any paragraph or provision of this AGREEMENT is determined by a court to be invalid or unenforceable, all other provisions of the AGREEMENT shall remain valid and in full force and effect unless such change substantially alters the nature of the AGREEMENT for either party.
- 1.6 The parties agree that this AGREEMENT and its appendices constitute the entire AGREEMENT between both parties and may be modified only by written AGREEMENT signed by both parties.
- 1.7 In the event of litigation by either party to enforce the terms of this AGREEMENT, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs directly attributable to the litigation, in addition to any other relief to which the party may be entitled.

SECTION 2. Ownership

- 2.1 All of the land, buildings, FACILITIES, easements, licenses, rights-of-way, equipment, tools, parts, documents (whether written or stored electronically), computer software, materials, supplies, and vehicles currently: [a] owned by the MHCS D as a part of FACILITIES at the start of AGREEMENT, [b] subsequently added by the MHCS D or

replaced/repaired/improved by SWWC through its maintenance of FACILITIES, or [c] subsequently added by SWWC through a change order or amendment to AGREEMENT shall be and remain the exclusive property of the MHCSO. Any Computerized Maintenance Management System installed by SWWC during the term of this AGREEMENT shall be the property of the MHCSO at the conclusion of or termination of this AGREEMENT. SWWC shall furnish the MHCSO with a serial number and other identifying information for each item of equipment with a value greater than \$1,000 and an estimated life greater than one year. SWWC shall maintain and update a computerized inventory of such items.

- 2.2 Documents directly pertaining to laboratory data, operation records, maintenance records, operation procedures, maintenance procedures, including, where appropriate, reports, studies, memoranda and such other information related to these, as may be gathered by SWWC in the performance of the duties set forth in the Scope of Services – whether written or stored electronically – shall be the property of the MHCSO and shall be available for inspection and use by the MHCSO or its designee at any time between 8 am and 5 pm, Monday through Friday and at such other times as may be mutually agreeable to the MHCSO and SWWC; provided, however, that the MHCSO first provides SWWC at least twenty-four (24) hours' notice of its intention to inspect such documents. Other SWWC correspondence, personnel records, internal communications, and confidential financial information shall remain the property of the SWWC. SWWC shall provide quantity and quality of laboratory services, parts and labor for any change in scope or operating parameters subject to the provisions of Section 6.1.c.

SECTION 3. Term of AGREEMENT and Termination

- 3.1 The term of this AGREEMENT ("TERM") shall be sixty months and may be extended for one term of sixty (60) months ("EXTENDED TERM"). The TERM of this AGREEMENT shall commence on July 1, 2011. Prior to the expiration of the initial term, the contract term may be extended by the Board for an EXTENDED TERM, up to NINE MONTHS prior to the expiration of the initial term. However, either party may give the other party six (6) months advance written notice of its desire that this AGREEMENT terminate at the end of the initial term.
- 3.2 Notwithstanding the provisions of Section 3.1, the MHCSO may cancel the Utility Billing and Collection Services portion of this AGREEMENT in Section 5 B, with NINE MONTHS written notification to SWWC, at any time during either the initial term of the AGREEMENT or during the EXTENDED TERM. Such cancellation will require a renegotiation of the costs of services in Appendix C.
- 3.3 Upon the expiration, or termination due to SWWC's material breach of this AGREEMENT pursuant to Section 3.5, or termination of a part of this AGREEMENT pursuant to Section 3.2, SWWC will cooperate fully with MHCSO in reasonably providing information, training, and on-site assistance to MHCSO or its designee responsible for continued operation of the FACILITIES and billing.

- 3.4 Upon cancellation of Utility Billing and Collections Services pursuant to Section 3.2, SWWC will cooperate fully with MHCSD in reasonably providing information, training, and on-site assistance to MHCSD or its designee responsible for continued provision of Utility Billing and Collection Services.
- 3.5 Unless otherwise provided in this AGREEMENT, for the duration of this AGREEMENT, in the event of material breach by either party, providing that such dissatisfied party first provides written notice of such breach to the other party and such breach is not corrected within sixty (60) calendar days from the date of said notice, the dissatisfied party may terminate the AGREEMENT thereafter on seven (7) days written notice. The sixty (60) calendar day correction period may be extended by mutual AGREEMENT of both parties. The party receiving such notice shall be given this time as an opportunity to correct the breach; provided, however, that if said breach is not corrected within said time period, the AGREEMENT may be terminated and considered null and void.
- 3.6 Failure of either party to act upon a default shall in no way constitute a waiver by that party of such default, nor shall such failure or such acceptance by either party permit the continuation of such default. In the event of termination of this AGREEMENT for material breach by SWWC, MHCSD shall have the right forthwith to take possession of its FACILITIES, including vehicles, tools, parts, supplies, materials, computer software, licenses and customer records of collector (except SWWC-owned vehicles, computers, legally restricted computer software and other SWWC-owned equipment and materials) for the purpose of continuing the services for which SWWC has agreed to provide and to preserve and protect the public health and safety. SWWC shall cooperate with and assist MHCSD or its designee in such takeover and immediately shall deliver possession of FACILITIES, to MHCSD or its designee. SWWC shall also deliver to MHCSD all revenues collected by SWWC on behalf of MHCSD as part of the billing portion of this AGREEMENT, whether such revenues have been collected before or after such takeover. In the event of termination of this AGREEMENT by SWWC due to material breach by MHCSD, SWWC shall have all the remedies available to it under the laws of the State of California.
- 3.7 If SWWC shall become insolvent at any time during the term of this AGREEMENT, or if proceeding in bankruptcy shall be instituted by or against SWWC, or if SWWC shall be adjudged bankrupt or insolvent by any Court, or if proceedings in bankruptcy shall be instituted by or against SWWC, or if SWWC shall be adjudged bankrupt or insolvent by any Court, or if a receiver or trustee in bankruptcy or trustee in bankruptcy or a receiver of any property of SWWC shall be appointed in any suit or proceeding brought by or against SWWC, or if SWWC shall make an assignment for the benefit of creditors, then, and in each and every such case, this AGREEMENT immediately shall be subject to termination at the option of MHCSD.
- 3.8 In the event that the MHCSD sells, leases, disposes of, or enters into a public-private partnership (P3) or other non-labor contract, or decides to replace the subject labor contract with MHCSD employees, for the above services, the MHCSD shall have the right to terminate the contract with SWWC upon NINTEY (90) DAYS notice.
- 3.9 Upon expiration of the term of the AGREEMENT or the earlier termination of the AGREEMENT, the FACILITIES shall be in sound operating condition and in a state of

repair that is consistent with prudent use and maintenance during the term of the AGREEMENT in accordance with customary utility standards, reasonable wear and tear excepted.

SECTION 4. SWWC as Independent Contractor

4.1 The relationship of the SWWC to MHCSD is that of an independent contractor.

SECTION 5. Scope of Services

A. GENERAL

The Scope of Service expected of SWWC shall include all reasonably necessary services required for the operation and preventive and corrective maintenance of the MHCSD utilities, including operation, maintenance, repair and cleaning of sewer and stormwater lines, catch basins and cleaning or replacement of catch basin filters (all referred to hereinafter as O&M) and billing and collection of MHCSD water, wastewater, stormwater UTILITY FACILITIES and services, which are under the ownership and control of MHCSD, and billing and collection for refuse collection services, which are provided by a private contractor under a permit issued by the MHCSD. Setting and interpreting policy, ordinances, rates and enforcement action to obtain compliance with various MHCSD ordinances will be the responsibility of MHCSD. Unless otherwise provided in this AGREEMENT, the Scope of Services provided by SWWC shall include the following:

1. Provide full-service 24-hour-per-day, 7 days per week Operation and Maintenance (O&M) and asset management, including grounds maintenance (within the fenced area securing the FACILITIES), of the UTILITY FACILITIES (including, but not limited to, treatment plants, distribution, recycled water FACILITIES, cleaning and operation of collection, distribution and discharge lines and pumps, hydrants and meters, storage tanks, cathodic protection system, pump stations, and storage ponds) in accordance with generally accepted industry principles and practices, within the utility facility design capacity and capabilities, in full compliance with all applicable Federal, State and local laws, regulations, policies, rules and permits and any associated time schedules.
2. Provide a 24-hour-per-day, 7 days per week emergency number that customers can use to report problems in the utility system. The emergency number shall be answered by a person who will notify SWWC personnel within not more than 20 minutes. SWWC personnel will respond to the call consistent with policies to be determined by the MHCSD General Manager, which shall include responding to all emergency events within one hour or sooner as necessary to ensure, if at all possible, the continued provision of water supply, wastewater collection and treatment, and stormwater collection to MHCSD customers in a quantity and quality consistent with Federal, State and local laws, regulations and permits.

3. Inspect, using video, or other method if approved by the MHCSD General Manager, one-third of the wastewater and stormwater collection system lines and wet wells between the fourteenth and twenty fifth months of the contract period. Based on the results of the inspection, clean as much of the collection system as necessary to maintain the original design flow of the collection system, and report any needed repairs to the MHCSD as soon as the need for repairs is identified by SWWC. SWWC shall develop within 90 days of the completion of the initial inspection, a Sewer and Stormwater System Management Plan to address more frequent cleaning of problem areas and of the entire wastewater and stormwater collection system lines, and a plan for inspection and cleaning for the EXTENDED TERM at least one year prior to the end of the initial term of the contract period. SWWC shall perform maintenance as needed and as consistent with the MHCSD Stormwater System Management Plan and permits, including all required Best Management Practices (BMPs) on the portions of Mountain House Creek not maintained by the MHCSD landscape maintenance contractor and not designated as a Park by the MHCSD. Line blockage cleaning will begin within 2 hours of SWWC being notified that a blockage exists, to allow time for cleaning equipment to arrive on site. All stormwater catch basin inlets and BMP basins in the creeks will be kept free of debris and the and stormwater catch basins will be inspected and cleaned and catch basin filters inspected, cleaned or replaced as necessary prior to October each year to prevent backups.

SWWC shall provide all equipment for wastewater and stormwater collection system and water distribution system maintenance.

MHCSD shall provide water for the operation of hydraulic cleaning machines at no cost to SWWC, except that SWWC will be required to provide flow metering of water used and report the amount and dates of such usage monthly to MHCSD.

SWWC shall be responsible to storing and disposing of sludge from sewer collection line cleaning and maintenance at the wastewater treatment plant site or other site in Mountain House designated by MHCSD. MHCSD will be responsible for the additional cost of the sludge removal from the disposal or storage site along with the cost of transportation and landfill tipping fees associated with any sludge disposal approved by the MHCSD General Manager, with such expenditure approved by the MHCSD General Manager. SWWC shall be responsible for disposing of all other material.

4. Provide all reasonable effort to ensure odor control that meets applicable Federal, State and local laws, regulations and permits and correct any odor problems that may occur. The cost of any modifications to the FACILITIES necessary to achieve the foregoing will be the responsibility SWWC up to \$5,000 per year and shall be considered maintenance and repair and included within the periodically adjusted \$50,000 SWWC obligation limit noted elsewhere in this section. This \$5,000 limit per year shall be increased by 3% July 1, 2012 and each July 1 thereafter during the term of this AGREEMENT.

5. Operate MHCSD industrial pretreatment and stormwater programs consistent with MHCSD ordinances and all other Federal, State and local laws, regulations and permits. Any change in the existing ordinances that increases SWWC's cost by more than \$3,000 per year shall be subject to a mutually agreed, negotiated change in scope and price, which may be approved by the MHCSD General Manager. This \$3,000 limit per year shall be increased by 3% July 1, 2012 and each July 1 thereafter during the term of this AGREEMENT.
6. Respond to all emergencies events within one hour or sooner as necessary to ensure, if at all possible, the continued provision of a water supply, wastewater collection and treatment, and stormwater collection to MHCSD customers in a quantity and quality consistent with Federal, State and local laws, regulations and permits.
7. Except as otherwise provided in this AGREEMENT, O&M shall include all preventive, predictive and corrective maintenance and all repairs of utility equipment, collection and distribution system lines and FACILITIES, buildings, fencing, paving, landscaping and all other related utilities FACILITIES, including, but not limited to fire hydrants, water meters and the repair of all leaks up to and including the shutoff valve on the discharge of the water meter. The cost of maintenance and repairs shall be the responsibility of SWWC. The total obligation of SWWC for repairs will not exceed an aggregate limit of \$50,000 in any one year (excluding the cost of labor of individuals assigned by SWWC to work at the MHCSD site an average of 30 or more hours per week in each six month period and the cost of SWWC supervision of these or any other individuals or subcontractors hired or assigned to undertake such repairs.) Individual repairs costing more than \$5,000 per incident, or individual repairs of lesser cost, that occur after SWWC has reached the aggregate \$50,000 limit (all on this same cost basis) must be approved by MHCSD General Manager, which approval shall not be unreasonably withheld or delayed, but will be performed by SWWC if so directed by the MHCSD General Manager. However, if any maintenance or repair is performed as a result of SWWC's failure to follow O&M Manuals approved by MHCSD, to perform preventive maintenance as recommended by the equipment manufacturer, or as a result of SWWC's negligence, the full cost of this maintenance and repair shall be borne by SWWC and such cost shall not be used in calculating whether SWWC has reached or exceeded the \$50,000 aggregate limit or the \$5,000 per incident limit. If maintenance and repair expenditures are necessary to continue operation of the FACILITIES and to provide for public safety and environmental protection, SWWC shall proceed with the repairs after making every reasonable effort to first contact and obtain approval for the repairs from the General Manager or his/her designated representative, or proceed with the repairs consistent with alternative policies and procedures approved by the General Manager. The \$50,000 aggregate limit per year and \$5,000 limit per incident shall be increased by 3% on July 1, 2012 and each July 1 thereafter during the term of this AGREEMENT. SWWC shall provide a monthly report to MHCSD, in a form approved by the MHCSD, reporting all maintenance and repair expenditures for the previous month and the total amount of funds unexpended of the aggregate limit. Within 30 days of the

end of each contract year, the unexpended portion of the aggregate limit shall be credited by SWWC to MHCS D or, at the approval of MHCS D, rolled into the following year.

8. SWWC shall provide a list of construction subcontractors that may be used and are available for emergency repairs 30 days after the start of the AGREEMENT. Non emergency repairs must be approved by MHCS D and appropriate permits acquired within a reasonable time.
9. SWWC is responsible for repair of all leaks in water and sewer distribution systems that are considered public per MHCS D ordinances and Standard Drawings, pursuant to Section 5.A.7.
10. Maintain all FACILITIES in a clean, neat and orderly fashion, with all floors and other work spaces free of sewage, screenings, sludge, debris, etc. and equipment, tools, materials and supplies properly stored.
11. All grounds, within the fenced secure area of all UTILITY FACILITIES (including but not limited to treatment plants, tanks and pump stations), shall be maintained to be free of weeds and debris and landscaping maintained consistent with the design and materials originally installed when the FACILITIES were constructed, ensuring that trees and shrubs are kept watered, fertilized and trimmed and grass and ground cover watered, fertilized and kept in a neat appearance.
12. Be responsible for maintaining all manufacturers' warranties on current equipment or any new equipment purchased by or on behalf of MHCS D for the water, wastewater or stormwater utilities.
13. Dewatering and storage of sludge at the water or wastewater treatment plant are the responsibility and expense of SWWC. MHCS D shall retain ownership of and responsibility for any and all FACILITIES' water and wastewater sludge and byproducts. Removal of the sludge from storage at the water or wastewater treatment plant, testing, transportation, and disposal will be the responsibility of MHCS D, but will be performed by SWWC at MHCS D expense if so directed by the MHCS D General Manager. The amount of and expenditure of funds to fulfill MHCS D's responsibility may be approved by the MHCS D General Manager whether such funds are paid directly to SWWC or to another party. Removal and disposal of sanitary collection system debris, plant screenings, and grit shall be done as follows:
 - i. Plant screenings and grit shall be hauled to a State-approved landfill;
 - ii. Sanitary collection system water and grease will be discharged into the wastewater plant headworks, while inert materials will be combined with the above grit and screenings;
 - iii. Inert materials from storm drain system cleaning will be disposed of at the wastewater plant site.

If the MHCS D General Manager directs SWWC to dispose of the above material at a site other than that recommended by SWWC, MHCS D will pay for the

documented cost differential, and the MHCSD General Manager may approve such expenditures within, subject to Purchasing Agent spending authority.

14. For water, sanitary sewer and storm, except as otherwise determined by the Mountain House General Manager, SWWC shall be responsible for monitoring, sampling, testing, analyses and reporting, as necessary, for compliance with all Federal, State and local laws, regulations and permits and provide a Quality Control/Quality Assurance program for sampling, testing and analyses. The cost of any additional monitoring, sampling, testing, analyses and reporting requirements imposed in addition to those in current laws, regulations and permits shall be borne by MHCSD, and if directed by the MHCSD General Manager, performed by SWWC subject to mutual agreement on the cost between SWWC and the MHCSD General Manager.
15. Prepare, sign and submit to the State and other appropriate agencies all O&M, monitoring and any other reports required by the State or other agencies. Said reports shall be co-signed by SWWC and, where required, by MHCSD. Copies of all reports shall be sent to the MHCSD General Manager or designated representative. If SWWC fails to submit any state or other agency required report on time and be fully compliant with State or other appropriate agency requirements, SWWC will pay any fine or penalty levied against SWWC or the MHCSD by State or other appropriate agency as a result of the fully compliant report having been filed late. If a fine or penalty is not levied by another agency for the report being filed past the due date, SWWC shall, at the discretion of the MHCSD, pay a penalty to the MHCSD of \$100 per day for each day a fully compliant report is not filed past the due date. SWWC and the MHCSD will prepare a list of any additional reports not required to be prepared for and/or submitted to the State or other agency, but which the MHCSD desires to be submitted to the MHCSD. The list will include due dates for each report. If SWWC fails to submit any of these additional MHCSD required reports by their due date a total of more than five times during the 12 months following each anniversary date of the agreement, SWWC will be required, at the discretion of the MHCSD, to pay a penalty to the MHCSD of up to \$1,000 for that preceding 12 month period.
16. Adequate staffing of the FACILITIES with personnel with the appropriate State required certifications and qualified in technical, laboratory and administrative/management issues to satisfy regulatory requirements and provide O&M services and all other related and required services under the scope of the AGREEMENT.
17. Submit annually a staffing and organizational structure to the MHCSD General Manager and note any changes in the full-time Facility Manager, who shall be SWWC's primary on-site agent in all matters pertaining to this AGREEMENT. The Facility Manager or his or her designee shall be available by telephone at all times. Telephone numbers shall be furnished to MHCSD and updated as required to ensure that the list remains current. SWWC shall conduct a background check on all employees and assure MHCSD that all employees are qualified to perform their assigned tasks and meet any state or federal employment/security laws or

regulations applicable to working in or with water, wastewater and stormwater UTILITY FACILITIES.

18. Provide equipment if and as necessary (including, but not limited to a hydro-vac machine), tools, and vehicles, except equipment, tools and vehicles owned by MHCSD as of the Effective Date of this AGREEMENT and provided to SWWC. SWWC shall also be responsible for the maintenance of all equipment, tools and vehicles. Such costs are solely the responsibility of SWWC and are not included in the costs and limits in Section 5.A.5 and 5.A.7.
19. With the approval of the MHCSD or pursuant to a policy established by the MHCSD, order and maintain throughout the AGREEMENT period an inventory of chemicals, catch basin filters fuels, parts, and supplies, sufficient to ensure no interruption of service or failure to comply with state, federal and local laws, regulations and permits. All such materials and supplies and an inventory thereof shall be accessible.
20. Payment of any and all costs associated with the O&M of the UTILITY FACILITIES (except as otherwise provided herein), including, but not limited to, the payment of all wages, salaries and benefits of SWWC's personnel and the costs of all consumables such as fuels, equipment, tools and supplies required for O&M. Notwithstanding the above, the MHCSD will pay directly for all electric power, natural gas, water utility costs, removal of sludge from the plant sites (including transportation and landfill tipping fees), and the cost of purchasing raw water from BBID for supply to MHCSD customers, and all of the cost of water used in SWWC's execution of the scope of work of this AGREEMENT, with all such expenditures approved by the MHCSD General Manager.
21. Prepare and submit to the MHCSD General Manager a physical inventory of all spare parts, materials and supplies on site as of the Effective Date of the AGREEMENT within 90 days of said effective date. . An equal quantity/quality of spare parts, materials, supplies and chemicals shall be on site and become the property of MHCSD at the conclusion of the contract period, unless the MHCSD General Manager agrees to a cash payment by SWWC of their retail value.
22. Implement a computerized asset inventory management program. The asset inventory program must comply with Statement 34 of the Governmental Accounting Standards Board (GASB 34) reporting requirements for infrastructure assets. All records and data will be the property of MHCSD. The system shall be implemented not later than 120 days from the date SWWC assumes operations responsibility for the utility FACILITIES.
23. Maintain a set of record drawings of the FACILITIES (the initial set to be provided to SWWC by MHCSD at no charge), adding to those drawings any changes made by SWWC.
24. Implement a computerized maintenance management program, that incorporates Supervisory Control and Data Acquisition system (SCADA) and a Laboratory Information Management System (LIMS), suitable for the size and complexity of MHCSD utility FACILITIES. The maintenance management program shall

include the following: 1) Provide systematic evaluation of daily plant performance and promote communications and continuity of performance. 2) Provide and maintain a well-documented record of operations, maintenance, repair, laboratory, personnel, training, safety, process control, daily inspections, materials, alarms and any other significant events, issuance of work orders and purchase orders, and a spare parts inventory. 3) All records and data (with the exception of personnel records) will be the property of MHCSO. 4) The system shall be implemented not later than 120 days from the date SWWC assumes operations responsibility for the UTILITY FACILITIES. In addition, SWWC will track process control, O&M training, safety training, chemical inventories, alarms, and significant events through computer spreadsheets and word processing programs and other forms of records as may be specified by the MHCSO General Manager. All written operations records, including lab records, daily inspection sheets, and meter calibrations records shall be kept on site in clearly marked binders for easy access. Monthly operations reports based on written logs shall be regularly updated to the computer system. Reports will be provided to MHCSO in such detail and on a schedule as specified by the General Manager.

25. Develop and maintain all required Emergency Response, Hazardous Materials, and OSHA plans, procedures and programs as specified by Federal, State or local laws, regulations, or permits and such additional plans, procedures and programs as may be necessary to detail contingencies to handle conditions that would threaten the provision of utility services consistent with Federal, State and local laws, regulations and permits.
26. SWWC shall, at its sole expense, provide an annual audit of its workplace health, safety and environmental compliance programs by a qualified third-party auditor approved by the MHCSO General Manager. A copy of the auditor's report shall be submitted by SWWC to the MHCSO no later than 60 days following the anniversary date of the AGREEMENT during the term of this AGREEMENT. Deficiencies identified by the auditor shall be immediately corrected by SWWC.
27. Maintain and update as necessary written standard operating procedures to clarify, refine or supplement procedures in O&M Manuals or manufacturers' maintenance manuals or to describe maintenance practices which do not conform to or may be added to the manuals and to maintain contingency plans for all major in-plant processes. SWWC shall obtain written approval of the MHCSO General Manager for the content of all O&M Manuals not prepared by the Manufacturer and for any maintenance practices that do not conform to the manufacturer's O&M Manuals.
28. Provide on-going training programs for SWWC personnel in the areas of utility O&M, safety, laboratory quality control/quality assurance, emergency response and hazardous materials handling, industrial pretreatment, stormwater pollution prevention, and water conservation. Documentation of training programs, including SWWC trained personnel, training hours and subject matter of training for each individual, shall be furnished to the MHCSO General Manager annually no later than 60 days following the anniversary date of the AGREEMENT during the term of this AGREEMENT.

29. Read all water meters using an SWWC supplied handheld Itron reader monthly and turn on/off water service to customers (typically 175 per month) as directed by the MHCSO, consistent with policies and procedures approved by the MHCSO General Manager, and provide the data to the MHCSO designated billing agent in a format suitable for the creation of monthly utility bills, as determined by the MHCSO General Manager. In addition SWWC shall be responsible for delivering 48-hour notices by hand to the residents (typically 250 per month).
30. Subject to regulatory water quality standards, maintain water flow in an amount and pressure as reasonably specified by the MHCSO General Manager to provide adequate fire protection pursuant to the Master Plan and other applicable documents. In conjunction with the fire service provider, all fire hydrants will be flow tested by SWWC at least on a twenty-four month rotational basis. The MHCSO and the fire service provider shall be provided at least monthly with a list of hydrants that have been, removed, replaced or repaired (or added by MHCSO or others, said list of additions to be provided by MHCSO). SWWC shall inspect and repair hydrants – subject to the limitations of Section 5.A.7 – in conjunction with a flushing program. Regular flushing of dead end system main lines shall occur at least every six months, and all other water lines flushed as determined necessary by SWWC to minimize quality control complaints. A regular schedule shall be established for the system pressure regulator valve testing and system zone pressure balancing within the design capabilities of the system.
31. Provide for the security and safety of the UTILITY FACILITIES and ensure the MHCSO-owned assets and water are used only for the purposes contemplated in this AGREEMENT services. SWWC must provide, 24 hours per day/7 days per week, monitoring any installed fire security system for all UTILITY FACILITIES independent of the SCADA system.
32. Cooperate with MHCSO in enforcing equipment warranties and guarantees and maintaining warranties on any existing or new equipment purchased by or on behalf of MHCSO.
33. Payment of any regulatory fines and penalties assessed against MHCSO and/or SWWC for non-compliance with any Federal, State or local law, regulation or permit condition, when such fine or penalty results from the negligent acts, failure to act, or willful misconduct of SWWC.
34. Provide MHCSO with annual estimates of water demand, wastewater flow and other related measurements of utility service demand.
35. Provide MHCSO, at least annually, a capital improvement program recommendation, identifying needed system expansions, major repairs and other expenditures in excess of \$5,000 each (excluding the cost of labor of individuals assigned by SWWC to work at the MHCSO site an average of 30 or more hours per week in each six month period and the cost of SWWC supervision of these or any other individuals or subcontractors hired or assigned to undertake such repairs) that will be necessary for the UTILITY FACILITIES in order to restore, maintain, replace or upgrade the equipment and other aspects of the UTILITY

FACILITIES for efficiency, safety, function and/or compliance with current and anticipated regulatory or customer growth requirements.

36. Provide 24-hour access for authorized MHCS D personnel to all UTILITY FACILITIES.
37. Meet as reasonably requested by MHCS D to review and discuss O&M activities and plans, providing written monthly reports (with information as specified by the MHCS D General Manager that directly pertains to FACILITIES operation and maintenance), to include, but not be limited to: total wastewater treated and water delivered, maintenance and repair work conducted, maintenance fund and chemical costs year-to-date, significant events at the FACILITIES, imminent significant events, effluent quality reports, and compliance summary.
38. Repair/ replace water meters and the Encoder/Receiver Transmitters (ERTS) as required to keep the meter reading system functioning properly, pursuant to Section 5.A.7.
39. SWWC shall perform all testing of backflow devices in the distribution system and the repair of all MHCS D owned backflow devices. SWWC will also notify the MHCS D and owners of privately owned devices (businesses, schools, etc.) of test results and any need for repair on privately owned backflow devices. SWWC shall monitor completion of repairs on privately owned devices by the owner, and report on such repairs as required by the MHCS D. SWWC shall also keep records of all testing results and repairs during the term of this AGREEMENT or extension thereof, unless a shorter records retention period is approved by the MHCS D. SWWC shall provide the retained records to the MHCS D at the termination of this AGREEMENT. SWWC shall prepare and provide an annual report to MHCS D, in a form and on a schedule as specified by MHCS D, providing test results and status of repairs on all backflow devices in the distribution system.
40. Exercise all valves in the water distribution system at least every two years, with 50% of the valves exercised each year. SWWC shall provide an annual report to MHCS D, in a form and on a schedule as approved by the MHCS D, identifying which valves were exercised.
41. Water line flushing shall be conducted on an as needed basis to keep water complaints to a minimum and as directed in the chloramines conversion plan dated August 2010. SWWC is responsible for all permits required for line flushing as required by the Regional Water Quality Control Board (RWQCB) and the MHCS D will pay any annual permit fees for flushing. All water that is discharged from a hydrant must be dechlorinated using SWWC supplied dechlorination equipment before entering a storm drain.
42. SWWC shall be responsible for preparation of the annual water system Consumer Confidence Report (CCR).. The form shall be similar to previous CCR reports as far as appearance and content and must be approved by MHCS D. The report must provide all relevant data per CDPH requirements. All printing and mailing costs shall be the responsibility of SWWC.

43. SWWC shall submit a monthly O&M report to the MHCS D General Manager by the 10th of the following month, including such information and in a form as approved by the MHCS D General Manager. At a minimum the report shall include Water and Wastewater system flows, a detailed explanation of any violations that occurred, projects completed for the month, a projection of projects to be completed the following month, a summary of maintenance completed for the month and a list of any customer complaints. Each quarter, or more often if specified by the MHCS D General Manager, SWWC shall meet with MHCS D staff and make a presentation on O&M activities since the last such report.
44. Maintain professional, responsible, and responsive working relationships with MHCS D customers, MHCS D staff, advisors, and consultants and with regulatory agencies and other entities with which the MHCS D may have dealings. The MHCS D General Manager shall be the AGREEMENT manager and responsible for all communications with the MHCS D Board of Directors and regulatory agencies (except where SWWC is required by law as the Operator of Record). SWWC shall refer inquiries from the news media regarding operation and maintenance of FACILITIES or other activities of the MHCS D to the MHCS D General Manager. SWWC may not utilize quotations of, or statements by, MHCS D employees, officers, or directors in any advertising, brochures, public relations documents or news releases without the express written consent of the MHCS D General Manager, such consent shall not be unreasonably withheld.
45. Perform other reasonable services that are outside of the Scope of Services as directed by the MHCS D General Manager. All such proposed services shall be detailed in writing and submitted to the MHCS D General Manager for review and approval prior to commencement of said services. Such services shall be performed at a prior mutually agreed cost between MHCS D and SWWC.
46. If SWWC establishes or expands a State Certified laboratory on MHCS D property, any equipment purchased by SWWC for the laboratory shall be the property of the MHCS D and shall be in satisfactory working order at the conclusion or termination of this AGREEMENT. Such laboratory or expansion may only be established with the permission of the MHCS D General Manager. The laboratory may not do any testing work for any site other than that owned by the MHCS D, unless approved by the MHCS D General Manager, who may negotiate and approve an agreement with compensation to MHCS D as may be determined to be appropriate by the MHCS D General Manager.
47. As directed by MHCS D, SWWC shall be responsible for responding to all Underground Service Alert requests for marking underground utilities owned and serviced by MHCS D.
48. Currently, there is no manual to guide the cleaning of the basins within Mountain House Creek. SWWC shall be required to prepare a manual for the maintenance of basins.
49. Operate and maintain the MHCS D Central Community Park Interactive Fountain per the San Joaquin County Environmental Health Department permit, the fountain O&M Manual. The fountain shall be inspected on a daily basis from

April 1st until October 31st each year and complete all necessary daily lab work and chemical adjustments per the permit requirements. The fountain shall be inspected weekly November 1st through March 31st and all equipment exercised.

50. If there are any changes in the scope of the AGREEMENT between the MHCSO and SWWC or where SWWC is required either by the terms of this AGREEMENT, or at the direction of the MHCSO General Manager, to perform the work associated with the change in scope, including changes in governmental regulations, reporting requirements, water supply/wastewater treatment conditions or standards that change the cost of contract operations, all such proposed work shall be detailed in writing and the MHCSO and SWWC shall negotiate a commensurate adjustment in compensation prior to performing said work.
51. Employees shall be paid a prevailing wages in compliance with applicable State and Federal Laws.

B. BILLING AND COLLECTION SERVICES

The Scope of Services expected of SWWC shall include all aspects of billing MHCSO utility customers on behalf of MHCSO, remitting the money collected to MHCSO, undertaking delinquent account collection activities and responding to customer service calls. Utility billing and collection services (B & C Services) will include billing and collection for wastewater, water, stormwater and solid waste collection.

The Scope of Services provided by SWWC shall include the following:

1. Upon customer application, activate a utility billing account to initiate utility services and refuse collection services and accept such deposit as may be established by MHCSO.
2. Provide each new customer with written utility service and billing information, as approved by the MHCSO General Manager, setting out policies and procedures for utility services, billing, collection, and customer service requests.
3. Coordinate with MHCSO to receive meter reading information, in the event that meters are read by someone other than SWWC.
4. Turn on or off water service to individual customers, consistent with policies and procedures approved by the MHCSO General Manager.
5. Upon approval of the MHCSO General Manager, refer delinquent accounts to a collection agency for further collection efforts. Judicial collection of delinquent accounts will be at the initiative and expense of MHCSO.
6. Calculate monthly utility billing amount for each customer based upon rates adopted by MHCSO.
7. Print, stuff and mail utility bills, providing all materials and supplies (except postage to be paid by MHCSO).
8. Provide an automatic payment service for MHCSO utility and solid waste customers.
9. Process payments received by MHCSO Lockbox, maintaining deposit records and

providing distribution of the payments weekly to MHCSO, or upon such other schedule as may be specified by MHCSO General Manager.

10. Include in the monthly bills such inserts as reasonably requested by MHCSO, up to a limit of 12 inserts per year, containing information as approved by MHCSO. SWWC will assist in design of inserts, provide paper and printing, except that such inserts will be limited to one 8 1/2" x 11" page per month, printed on both sides.
11. At MHCSO request, SWWC will perform special mailing to MHCSO utility customers at the same cost per address as SWWC charges MHCSO for each monthly utility bill.
12. Provide MHCSO with computer access to MHCSO utility customer billing records. Such access will be limited to MHCSO authorized individuals and will be available at the MHCSO main offices, and at the water and wastewater treatment plants.
13. Provide a customer service number responded to by a person able to answer billing and account activation questions or obtain a response for other utility requests from the O&M SWWC, at least Monday through Friday 10 hours per day, during such times as specified by the MHCSO General Manager, and a voice mail system to record messages during all other hours. An automated system with the option to speak to a live person may be provided by the SWWC, if approved by the MHCSO General Manager.
14. Maintain a computerized billing system necessary to provide all of the required utility billing services as specified herein. All records and data are the property of MHCSO. With reasonable notice, MHCSO may have access to, inspect and audit all of SWWC's records relating to the MHCSO Utility billing services.
15. Prepare and provide to MHCSO monthly reports in a form and with such information as requested by MHCSO General Manager.
16. All references to the MHCSO General Manager or to MHCSO where MHCSO approval is required in the Billing Scope of Services mean MHCSO General Manager or designee.
17. All billing information shall be in a format reasonably satisfactory to transfer to another billing provider at the conclusion or termination of this AGREEMENT.
18. All references to Contract or AGREEMENT in the Billing Scope of Services means the AGREEMENT between MHCSO and SWWC for the provision of services to MHCSO by SWWC as described in this Billing Scope of Services.

SECTION 6. Compensation and Payment:

6.1 MHCSO shall pay to SWWC:

- a) As compensation for the O&M and Billing and Collection services herein, for the initial 5-yr term, the monthly sums set forth in Appendix C, due on the first day of the month of service to be rendered. If payment is not received by the 30th day of

the month in which it is due, a late payment service charge of one and one-half percent (1.5%) per month (or the maximum legal rate, whichever is less) will also be due on the 30th day of each month until the late payment is made to SWWC by MHCSO.

- b) If the AGREEMENT is extended, as described herein, the annual (or monthly) fee shall be increased per Appendix C.
- c) If any changes in the scope of operations or service under this AGREEMENT should occur, including, but not limited to, changes in governmental regulations, reporting requirements, water supply/wastewater treatment conditions, or standards that change the cost of contract operations, SWWC or MHCSO may request a compensation adjustment, subject to the limitations in Section 5.A.5. Such adjustment will be negotiated in good faith by MHCSO and SWWC within thirty (30) days of receiving such request from SWWC or MHCSO. The MHCSO General Manager may approve such adjustment and may then adjust the amount of compensation in Appendix C to reflect the increase or decrease. In the event the parties are unable to negotiate a commensurate adjustment in compensation, then the parties shall appoint a third party mediator and split the cost of same.

6.2 Cost of work for preventive, predictive, and corrective maintenance and all repairs of utility equipment and FACILITIES that exceeds \$5,000 per incident, exclusive of SWWC labor working assigned shifts at the FACILITIES Mountain House site will be the responsibility of MHCSO, but will be performed by SWWC if so directed by the MHCSO General Manager. Dewatering and storage of sludge at the water or wastewater treatment plant is the responsibility of and at the expense of SWWC. Removal of the sludge from storage at the water or wastewater treatment plant, transportation and disposal will be the responsibility of MHCSO but will be performed by SWWC if so directed by the MHCSO General Manager. Reimbursement for the expenses associated with performing this work that is the responsibility of MHCSO may be approved by the MHCSO General Manager, but when performed by SWWC, will be at direct cost of parts, labor, materials, supplies and SWWC overhead. Cost of all other expenses, to which SWWC agrees to pay directly, that are the responsibility of MHCSO under this AGREEMENT, may be paid for directly by the SWWC (excluding postage) and will be reimbursed to the SWWC at the direct cost.

SECTION 7. Indemnity, Liability and Insurance:

7.1 SWWC agrees to hold harmless and defend MHCSO, its Board of Directors, officers, agents, employees, and representatives from and against any and all claims, actions, liabilities, loss, damage or injury, including any of the foregoing by way of indemnification or contribution, including attorney's fees and legal costs, arising directly or indirectly out of SWWC's negligent, intentional or willful activity, performance, operations, acts or omissions relating to SWWC's duties, responsibilities and rights under the terms and conditions of this AGREEMENT.

MHCSD agrees to hold harmless and defend SWWC, its Board of Directors, officers, agents, employees, and representatives from and against any and all claims, actions, liabilities, loss, damage or injury, including any of the foregoing by way of indemnification or contribution, including attorney's fees and legal costs, arising directly or indirectly out of MHCSD's negligent, intentional or willful activity, performance, operations, acts or omissions relating to its duties, responsibilities and rights under the terms and conditions of this AGREEMENT.

- 7.2 SWWC shall maintain workers compensation insurance in accordance with California State law and will maintain policies of liability insurance for bodily injury in an amount not less than ten million dollars (\$10,000,000) for injury or death to any one person and not less than ten million dollars (\$10,000,000) for injury or death to more than one person arising out of any one occurrence and policies of liability insurance for property damage in an amount not less than ten million dollars (\$10,000,000) against any liability arising directly or indirectly out of such activity, performance, operations, acts or omissions under this AGREEMENT. The hereinbefore mentioned policies of insurance shall include MHCSD as an additional insured and the coverage of such policies shall be expressly made primary with respect to any other coverage. Copies of such certificates evidencing such policies, shall be first approved the Counsel for MHCSD and filed with the MHCSD General Manager. All policies shall contain a provision requiring thirty (30) days written notice to be given to MHCSD prior to cancellation, modification, or reduction of limits. Failure of the SWWC to maintain required insurance policies shall be cause for termination, subject to the restrictions of Section 3.3 of AGREEMENT.
- 7.3 SWWC shall not be deemed to be in default if performance of the obligations required by this AGREEMENT is delayed, disrupted, or becomes impossible because of any act of God, war, earthquake, fire, strike, accident, civil commotion, epidemic, act of government, its agencies or offices, or any other cause beyond the control of the parties ("Force Majeure"). Upon occurrence of any such event, SWWC shall operate FACILITY on a "best reasonable effort" basis and shall not be responsible for damages, fines, penalties, or claims resulting therefrom. If any additional expense more than \$1,000 is incurred by SWWC hereunder, it shall be subject to a mutually agreed, negotiated change in price, which may be approved by the MHCSD General Manager.

SECTION 8. Assignment:

Except for the transfer to an affiliate or subsidiary, or the case of a sale of all or substantially all of the assets of SWWC, a merger, consolidation, or transfer of 50% or more of SWWC stock cumulatively during the term of this agreement, the rights and obligations of SWWC created hereunder shall be assignable only upon the express written request of SWWC and with the express written approval of MHCSD; such approval shall not be unreasonably withheld or delayed.

SECTION 9. Subcontractors:

No subcontract may be entered into by SWWC for the performance of more than 10% of the duties imposed upon SWWC by this AGREEMENT without the prior approval of the MHCS D General Manager, which approval shall not be unreasonably withheld or delayed. Should the MHCS D General Manager approve such subcontract, the SWWC shall continue to be primarily responsible for the performance of each and every term and condition of this AGREEMENT.

SECTION 10. Other MHCS D Responsibilities:

10.1 MHCS D shall provide the following at no cost to SWWC:

- a) all electricity and the direct cost of chemicals and catch basin filters to be provided by SWWC for FACILITIES operation;
- b) all existing or necessary easements, access, National Pollutant Discharge Elimination System (NPDES) permits, and warranties for the mutual benefit of both parties;
- c) MHCS D fire coverage, including extended coverage for the replacement cost of FACILITIES, all of or any part of which may be self-insured at the option of MHCS D. Such coverage shall protect SWWC according to its insurable interest under these coverages during the term of the AGREEMENT; and
- d) All direct cost of postage for monthly customer billing.

10.2 MHCS D shall:

- a) Remain the named permittee on any and all permits that may be required, and shall meet all regulatory requirements not specifically assumed herein by SWWC as its responsibility;
- b) Except as set forth in Section 5.A.5 and 5.A.7 above, MHCS D shall retain responsibility for repairs to FACILITIES;
- c) Pay all Capital Expenditures as defined in the AGREEMENT. SWWC shall have the right to make emergency capital expenditures up to ten thousand dollars (\$10,000) if [i] MHCS D officials are not available for prior approval of such action, and [ii] if such expenditures are necessary to continue operation of FACILITIES in order to provide for public safety and environmental protection. The \$10,000 limit shall be increased by 10% on July 1, 2012 and on each July 1 thereafter during the term of this AGREEMENT. MHCS D shall reimburse SWWC such amounts within thirty (30) days of SWWC's invoice; and
- d) Provide SWWC with a complete set of record drawings of FACILITIES within thirty days of any FACILITIES completion. SWWC shall maintain these

drawings in a manner which allows their efficient and effective use in solving system problems and track any changes of as-builts.

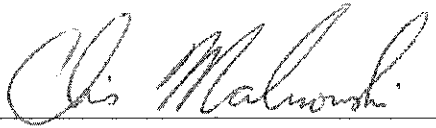
SECTION 11. Entire Agreement and Modification:

This Agreement supersedes all previous Agreements either oral or in writing and constitutes the entire understanding of the parties hereto. No changes, amendments or alterations shall be effective unless in writing and signed by both parties.

IN WITNESS WHEREOF, MHCSD and SWWC have executed this Agreement on the day and year first written above.

SWWC Services, Inc.

Mountain House CSD, a
political subdivision of
the State of California

By: 

Title: Vice President

By: 

Paul Sensibaugh, General Manager

Approved as to Form:

By: 

Daniel L. Schroeder, District Counsel

APPENDIX A

1. WASTEWATER TREATMENT AND COLLECTION SYSTEM

The Mountain House wastewater collection system is a gravity system to the treatment plant, consisting of approximately 33 miles of lines. At present there are 3500 connections and with a total of approximately 16,000 connections at full development. All 3500 connections have been placed in operational use over the past eight years and presently serve the completed "Neighborhoods" (E, F and G), and the adjacent Neighborhood H, where residential construction is presently underway. Infrastructure for the Active Adult Communities on the north side of Byron Road is expected to begin in 2014. **Exhibit 1** depicts the location of the neighborhoods within the Mountain House Master Plan area. **Exhibit 2** shows the Wastewater System Master Plan. For the location of the currently installed wastewater collection system, see available construction drawings for further detail. Additional lines will be constructed by the developers, as neighborhoods are ready for development.

Currently the wastewater treatment plant has the capacity of 3.0 mgd. The wastewater treatment plant will be sized at total build-out to provide 5.4 mgd Average Dry Weather Flow (ADWF) of treatment capacity (all future references to treatment plant capacity will be ADWF). During 2007, the treatment system and the associated infrastructure were replaced with a 3.0 mgd Sequential Batch Reactor system. This system includes head works (influent pump station, screening system and grit removal system), an anoxic reactor for flow/load equalization and a carbon source for denitrification, sequencing batch reactors for biological treatment including nitrification and denitrification, tertiary filtration, automated chemical feed, ultraviolet disinfection and aerobic sludge digestion. Lined aeration lagoons exist as emergency storage lagoons. All new treatment plant facilities have extensive instrumentation and control (I&C) systems and an integrated state of the art security system.

Design of the additional expansion of the wastewater treatment plant is nearly completed and construction is anticipated to start in the next few years. This final phase of the wastewater treatment plant expansion will bring the plant to a total dry weather treatment capacity of 5.4 mgd. Construction of the final phase may occur during this contract period and input from the contract operator will be necessary.

Treated effluent is discharged to the Old River pursuant to Wastewater Discharge Requirements Order No. R5-2007-0039, NPDES Permit No. CA0084271 and Time Schedule Order No. R5-2009-0013. These orders and the permit were effective June 23, 2007 and expire May 1, 2012. A copy of the document containing these provisions can be downloaded from the Regional Water Board's Internet website at:

http://www.waterboards.ca.gov/centralvalley/board_decisions/adopted_orders/

Although it is anticipated that the Sequential Batch Reactor processes will meet these permit requirements, there is a possibility that the requirements could lead to a treatment process involving reverse osmosis, particularly for salt removal as well as other treatment processes mandated by the RWQCB. The MHCS D does have the ability to make any needed capital improvements to the wastewater treatment plant to meet RWQCB permit requirements. It is expected that the selected contractor will be able to demonstrate knowledge and staff capacity to operate a wastewater treatment plant involving reverse osmosis and other mandated processes by

RWQCB. A selected contractor will also need to demonstrate knowledge and staff capacity to operate a Sequential Batch Reactor treatment plant system.

Sludge generated in the Sequential Batch Reactors will be removed by the utility contract operator as needed and disposed in a landfill of appropriate classification, consistent with a plan proposed by the contractor and approved by the MHCSO General Manager.

The MHCSO Board of Directors has adopted an ordinance "Regulating Industrial Waste into the Mountain House Wastewater Collection and Treatment System." The MHCSO is responsible for administration of the programs to enforce the provisions of this ordinance and expects day-to-day monitoring to be the responsibility of the O&M operator. Septage discharge will not be allowed until a septage management plan is developed by the O&M operator and approved by MHCSO. O&M contract operator shall develop a solid waste management plan, approved by MHCSO, within one year of the award of this contract.

Current and projected flows and loadings at the wastewater treatment plant are as follows:

Fiscal Year (July - June)	Flow ¹	BOD ²	Suspended Solids ²
2011-12	.906	1914	1914
2012-13	0.97	2026	2026
2013-14	1.04	2184	2184
2014-15	1.13	2336	2336
2015-16	1.25	2528	2528

1. Total Annual Average Day Flow (AADF) in million gallons per day. Projection based on 10 year growth rate prepared by MHCSO at 270 gallons per unit.
2. Total Average BOD and TSS load in lbs per day based on 270 mg/l.

Presently there are two commercial businesses in Mountain House. As new businesses develop, sanitary sewer pre-treatment or inspection programs will be initiated as part for the permit process in Mountain House. It is anticipated that the commercial and industrial businesses will be required to fund their own necessary inspection. However, the selected contractor shall be a part of the negotiation, inspection and enforcement process for the future commercial pretreatment programs as needed.

2. WATER TREATMENT AND DISTRIBUTION SYSTEM

The Mountain House water distribution system consists of approximately 40 miles of lines and three treated water storage tank. Two are located at the Southwest corner of the community and one at the Water Treatment Plant facility. A cathodic protection system and monitoring equipment has been installed in the steel tanks and will need to be maintained as part of the O&M responsibility. All tanks and lines have been placed in operational use over the past eight years and presently serve the completed "Neighborhoods" (E, F and G), and the adjacent Neighborhood (H), where residential construction is presently underway. Portions of the system are sized to serve the community at buildout. **Exhibit 3** shows the Water System Master Plan. For the location of the currently installed water distribution system and pump stations, see available construction drawings for further detail. Additional lines will be constructed by the developers as neighborhoods are ready for development.

At present there are 3500 connections and with approximately 16,000 connections anticipated at full development. The water treatment plant is expected to be sized at total build-out to provide an average daily demand capacity of 10.2mgd. A conventional surface water treatment plant with UV and chloramines disinfections with a 15 mgd capacity is presently in operation. On May 18, 2009 California Department of Public Health (CDPH) added approval for operation of the UV Disinfection System to the full permit. Approval to begin Chloramination was granted on June 17, 2010. The full permit requires a minimum of T4 licensed plant operator and a minimum of T3 shift operator. A chief operator or shift operator shall be on site at all times the facility is treating water. All operations plus updates required by the CDPH are the responsibility of the contractor. An additional expansion to bring the total capacity to 20 mgd is expected to begin shortly. In addition, MHCSD has an offsite booster pump station presently in operation and two offsite storage reservoirs at 3.7 million gallons each and a second offsite booster pump station which are in operation. A 4.5 mgd raw water storage tank will be converted to a treated water storage tank and more treated water storage tanks will be constructed in the future.

The State Department of Health Services has prepared a full permit amendment (the original permit was issued March 25, 2003—Permit Number: 03-10-03P-003, System No 3910027 dated June 13, 2007). This requires a minimum T4 licensed plant operator to be on-site at all times while the facility is treating water.

The 15 mgd water treatment facility has a Risk Management Plan for ammonia, with which the contractor will be required to comply.

All new treatment plant facilities have extensive instrumentation and control (I&C) systems and an integrated state of the art security system.

Water for Mountain House has been acquired through an agreement with the Byron-Bethany Irrigation District (BBID). Available are 9,413 acre-feet of pre-1914 water rights. Additional water may be obtained from BBID through agreement if the need develops.

The raw water is provided by BBID through their pump station at the California Aqueduct near the Harvey O. Banks Pumping Plant and will be delivered through a BBID owned 30-inch pipeline to the treatment plant, where the raw water becomes the responsibility of the O&M operator. The pumping plant is 2.8 miles from the treatment plant and has a pumping capacity upgraded to 15 mgd in 2007. During the period of this contract, this pumping plant capacity may be upgraded to 20 mgd.

Current and Projected Water Production is as follows:

Fiscal Year (July – June)	Total Annual Flow Through Treatment Plant ¹	MGD
2011-12	3711	3.313
2012-13	3836	3.425
2013-14	3962	3.537
2014-15	4113	3.672
2015-16	4289	3.829

1. Delivery quantities from BBID for potable water treatment, acre-feet per year. Projection based on 10 year growth rate at 450 gallons per unit.

3. STORMWATER COLLECTION SYSTEM

The Mountain House Stormwater Collections system is operated under a general Permit for the Discharge of Stormwater from Small Municipal Separate Storm Systems, WDID No. 5B39NP00045.

The Phase II Stormwater Discharge Permit was issued by the State of California on January 9, 2009. The permit was issued based on an application and Stormwater Management Program prepared for the MHCS D by the consultant Jacobs Carter Burgess. All Proposing Contactors are encouraged to obtain a copy of the Stormwater Management Program and to assume that all physical requirements to be performed as part of the program will become the contractual responsibility of the selected Proposer. A current Annual Report for the General Permit for the Discharge of the Stormwater from Small Municipal Separate Storm Sewer Systems (General Permit) may be obtained as noted below.

The Mountain House Stormwater system is comprised of multiple elements. The Mountain House Master Plans Zoning elements require specific ratios of pervious to impervious areas in all developed areas. Stormwater runoff that does reach the streets from developed lots enters the collections system through a proprietary catch basin insert. From the catch basins, runoff is conveyed through a positive collection system into the Mountain House Creek where a system of both wet and dry basins act as first flush cleansers, flow attenuators, flood prevention and wildlife habitat with terminal discharge in the "Old River". The inspection, testing operation and maintenance of all of the physical elements of the Stormwater system are contemplated with this RFP.

Presently there are approximately 950 catch basin inserts in the Mountain House Stormwater System that will be maintained for debris, oil and flow as needed. Mountain house has accepted approximately 32 miles of gravity flow pipelines. The Mountain House Stormwater Management plan requires that 20% of all pipelines be inspected and maintained on an annual basis. Also, the Management Plan requires that at least five outfalls must be sampled by the Contractor for contaminants that may indicate illicit dumping on a yearly basis. The basins are required to be maintained for first flush capability, flow attenuation, wildlife habitat and flood control on an as needed basis. Reports of inspections and work performed will be submitted to the MHCS D.

Currently, there is no manual to guide the cleaning of the basins within Mountain House Creek. The contractor is required to prepare a manual for the maintenance of basins.

Presently there are two commercial businesses in Mountain House. As new businesses develop, Stormwater pre-treatment or inspection programs will be initiated as part for the permit process in Mountain House. It is anticipated that the commercial and industrial businesses will be required to fund their own necessary inspection. However, the selected Contactor shall be a part of the negotiation, inspection and enforcement process for the future commercial pretreatment programs as needed.

As the MHCS D develops it is anticipated that Stormwater Management Program will adapt. During the adaptations the Selected Contractor will not only be a stake holder in the process but also a contractual arm for the enforcement of all Stormwater Activities.

APPENDIX B

Definitions

Corrective Maintenance or Repairs: Any non-preventive maintenance or repairs that are nonroutine/nonrepetitive activities required for operational continuity, safety, and performance generally due to failure or to avert a failure of any part of the facility buildings or equipment, including repairs to water and sewer mains, but does not include extensions or expansions of the wastewater or stormwater collection systems or water distribution system.

Preventive Maintenance: Periodic scheduled routine and/or repetitive activities in accordance with industry standards and/or manufacturer's recommendations, including valve exercising and line flushing.

Direct Cost: The actual cost paid to vendors for labor, parts, materials, supplies and subcontractor charges, not including any overhead charges by SWWC.

General Manager or Designee: All references to the MHCS D General Manager or to MHCS D where MHCS D approval is required in the Scope of Services mean MHCS D General Manager or designee.

Contract or Agreement: All references to Contract or AGREEMENT in the Scope of Services means the AGREEMENT between MHCS D and SWWC for the provision of services to the MHCS D by SWWC as described in this Scope of Services.

APPENDIX C

**Amount of Compensation for Operation and Maintenance
and Billing and Collections Services**

As compensation for providing the Scope of Services in Section 5.A.1 through 48, SWWC shall be paid the monthly sums set forth in the table below, due on the first day of the month of service to be rendered. If payment is not received by the 30th day of the month in which it is due, a late payment service charge of one and one-half percent (1.5%) per month (or the maximum legal rate, whichever is less) will also be due on the 30th day of each month until the late payment is made to SWWC by MHCSD.

Table 1

Contract Year	Base Annual (Monthly) Payment for O&M and B&C Services
July 1, 2011 through June 30, 2012	\$1,060,600 (\$88,383)
July 1, 2012 through June 30, 2013	\$1,070,600 (\$89,217)
July 1, 2013 through June 30, 2014	\$1,113,424 (\$92,785)
July 1, 2014 through June 30, 2015	\$1,169,095 (\$97,425)
July 1, 2015 through June 30, 2016	\$1,227,550 (\$102,296)
July 1, 2016 through June 30, 2017	Previous Year, Plus CPI
July 1, 2017 through June 30, 2018	Previous Year, Plus CPI
July 1, 2018 through June 30, 2019	Previous Year, Plus CPI
July 1, 2019 through June 30, 2020	Previous Year, Plus CPI
July 1, 2020 through June 30, 2021	Previous Year, Plus CPI