

Item # 18A

**City of Carson City
Agenda Report**

Date Submitted: December 23, 2009

Agenda Date Requested: January 7, 2010
Time Requested: 15 minutes

To: Mayor and Supervisors

From: Public Works

Subject Title: Action to adopt Resolution No. _____ a resolution approving and authorizing the Mayor to sign an Interlocal Agreement by and between Carson City and Douglas County Relating to Water Service (Burnham)

Staff Summary: This agreement facilitates the delivery of Carson City owned water rights from the Town of Minden, through Douglas County, to Carson City. This agreement sets forth the provisions to construct and operate connection of the Douglas and Carson water systems through a project referred to as the "North Douglas County and Carson City Water Line Intertie Project".

Type of Action Requested: (check one)
(XXX) Resolution () Ordinance
() Formal Action/Motion () Other

Does This Action Require A Business Impact Statement: () Yes (XXX) No

Recommended Board Action: I move adopt Resolution No. _____ a resolution approving and authorizing the Mayor to sign an Interlocal Agreement by and between Carson City and Douglas County Relating to Water Service.

Explanation for Recommended Board Action: This agreement facilitates the delivery of Carson City owned water rights from the Town of Minden, through Douglas County, to Carson City. This agreement sets forth the provisions to construct and operate connection of the Douglas and Carson water systems through a project referred to as the "North Douglas County and Carson City Water Line Intertie Project".

The project cost for phase I is approximately \$13 million with Carson City's share approximately \$5.6 million. Phase I of the project would be constructed beginning summer of 2010 and be completed in fall of 2011. Phase II of the project would be constructed when growth requires additional capacity and would be at an approximate cost of \$7 million with Carson City's share \$2.0 million. Other parties to the agreement include the Town of Minden, Indian Hills General Improvement District, and the Carson Water Subconservancy District.

Carson City will acquire capability for up to 4500 gallons per minute of water delivery from the project which compared to current peak summer demands of 17,000 gallons per minute is quite substantial and will provide the needed reserves for our water system to meet the concerns and requirements of the State Engineer.

In addition this project will allow the city to forgo having to construct a Uranium Treatment Plant because the new water brought into the system will be able to blend with the uranium water to meet the federal standards. This project will avoid \$30-40 million in construction costs for the Uranium Treatment Plant and forgo \$1.5 million a year in operation and disposal cost for the plant.

Additionally the new water introduced to the City water system will allow staff to operate the system in a more efficient manner and not utilize more expensive water which staff estimates will save several hundred thousand dollars per year in operations costs which will help off-set some of the increased capital costs for the project. In order to utilize the water there will be several large diameter water lines within the city that need to be constructed in addition to the connection to Douglas County. Costs are estimated to be approximately \$12 million.

As opposed to the Mariette water system improvements which are also planned for implementation in the long term future the Douglas Intertie project brings significantly more water (3250 ac-ft vs 1000-2000 ac-ft) in a very short timeframe of two years, and at significantly lower costs. In addition the Mariette water is weather dependent, in times of drought the amount will be severely restricted. The Mariette improvements are estimated at \$48 million, and will take three to five years to permit, and more than five years to construct because of the high elevation and short construction period.

The agreement is similar and based on the Lyon County Intertie Agreement and sets forth wholesale water costs which will be charged for delivery of the water. These costs have been factored into the City financial model for the water fund.

There will be a substantial impact to water rates to support the bonding necessary for the project, but the impact will be reviewed by staff and brought back to the Board at a future meeting. Staff will also be looking at "Rate Design" as previously requested by the Board to address the high peak demand in the summer and base rate issues.

Applicable Statute, Code, Policy, Rule or Regulation:

Uranium Limit - 40 CFR Part 141, Subpart G, 141.66 (e)

Fiscal Impact: Approximately \$20 million

Explanation of Impact: Will require bonding to support the capital costs and water rate increase.

Funding Source: Water Fund

Alternatives: Do not approve and direct staff otherwise.

Supporting Material: Interlocal Agreement between Carson City and Douglas County.

Prepared By: Ken Arnold, Deputy Public Works Director - Operations

Reviewed By:


(Department Head)


Date: 12/29/09


(City Manager)

Date: 12/29/09


(District Attorney)

Date: 12-29-09


(Finance Director)

Date: 12-29-09

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)

RESOLUTION NO. _____

RESOLUTION APPROVING AN INTERLOCAL AGREEMENT BY AND BETWEEN CARSON CITY AND DOUGLAS COUNTY RELATING TO WATER SERVICE

WHEREAS, any two or more political subdivisions of the State of Nevada may enter into cooperative agreements for the performance of any governmental function, including the furnishing of facilities and the payment of money, pursuant to NRS 277.045; and

WHEREAS, Carson City and Douglas County are both political subdivisions of the State of Nevada; and

WHEREAS, NRS 277.045 provides that every such agreement must be by formal resolution or ordinance of the governing body of each political subdivision included and must be spread at large upon the minutes, or attached in full thereto as an exhibit, of each governing body; and

WHEREAS, the parties to the Interlocal Agreement by and between Carson City and Douglas County Relating to Water Service desire to adopt and approve such agreement as required by NRS 277.045. A copy of the agreement is attached to this Resolution as Exhibit "A"; and

NOW, THEREFORE, BE IT RESOLVED, that the terms and conditions of the Interlocal Agreement by and between Carson City and Douglas County Relating Water Service are hereby adopted and approved; and

BE IT FURTHER RESOLVED, that the Interlocal Agreement by and between Carson City and Douglas County Relating to Water Service shall be spread at large upon the minutes or attached in full thereto as an exhibit, and that a copy of this Resolution shall be sent to Douglas County.

Upon motion by Supervisor _____, seconded by Supervisor _____, the foregoing Resolution was passed and adopted this _____ day of _____, 2010 by the following vote:

AYES: _____ NAYS: _____

ABSENT: _____ ABSTAIN: _____

Robert L. Crowell, Mayor
Carson City, Nevada

ATTEST:

Alan Glover, Clerk
Carson City, Nevada

INTERLOCAL AGREEMENT RELATING TO WATER SERVICE

This INTERLOCAL AGREEMENT RELATING TO WATER SERVICE ("Agreement") is entered into this ___ day of _____, 2010, by and between Douglas County, a political subdivision of the State of Nevada (hereinafter referred to as "County") and Carson City, a consolidated municipality and political subdivision of the State of Nevada (hereinafter referred to as "Carson City") and hereinafter sometimes referred to individually as "Party" and collectively as "Parties".

RECITALS

WHEREAS NRS 277.100(1) defines a public agency eligible to enter into an interlocal contract to include counties and consolidated municipalities, and Carson City and County are public agencies under that definition; and

WHEREAS NRS 277.180(1) provides that any one or more public agencies may contract with any one or more other public agencies to perform any governmental service, activity, or undertaking which any of the contracting agencies is authorized by law to perform; and

WHEREAS Carson City and County are authorized by the laws of Nevada to construct, improve, maintain, provide capital improvements and related services for the delivery of water including, but not limited to, the purchase and administration of water rights; and

WHEREAS County provides retail water service through the Douglas County Public Works Department to certain areas of the County within the County's service district boundaries. The County owns, maintains and operates its own distribution system for the delivery of water to its retail service area including daily storage and fire protection capacity; and

WHEREAS Carson City provides retail water service to the residents of Carson City, Nevada within its service district boundaries. Carson City owns, maintains and operates its own distribution system for the delivery of water to its retail service area including daily storage and fire protection capacity; and

WHEREAS County has explored the possibilities of utilizing water supplied by the Town of Minden (Town) to meet the demands of County, Indian Hills General Improvement District (IHGID) and Carson City; and

WHEREAS the Project accomplished by this Agreement is referred to as the North Douglas County and Carson City Water Line Intertie Project (Project). The Project involves participants including the County, Carson City, the Indian Hills General Improvement District (IHGID), the Town and the Carson Water Subconservancy District (CWSD). The Project and this Agreement are contingent upon the agreements referred to below in paragraph 1 becoming effective. The Project has significant regional benefits as it will provide a reliable water supply and interconnectivity between the County and Carson City. The Town will benefit by utilizing its water rights and the

County, IHGID, CWSD and Carson City will benefit from a reliable water supply that does not require costly treatment; and

WHEREAS the Carson Water Subconservancy District (CWSD) desires to also be a partner in the Project to provide for possible future regional benefit by upsizing the water lines for additional capacity; and

WHEREAS The Parties by entering into this Agreement will each enjoy greater flexibility and availability within their water systems for mutual assistance in times of emergency and will be able to provide more effective and efficient water services, management of water rights and promotion and protection of the health, comfort, safety, life, welfare and property of the inhabitants of Carson City and the County; and

WHEREAS the subject intertie Project will entail the design and construction of large diameter pipelines and pump stations to carry water from the Town wells north to supply IHGID, the County, Carson City and the CWSD; and

WHEREAS the County will have a separate agreement with the Town for the delivery of water to the County and its customers, including IHGID, Carson City and the CWSD.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the Parties agree as follows:

1. REQUIRED APPROVAL.

- a. This Agreement shall not become effective until and unless approved by appropriate official action of the governing body of each Party. Furthermore, it will only become effective upon the effective dates of 6 agreements integral to the Project: 1. Douglas County – Town of Minden INTERLOCAL AGREEMENT TO PROVIDE WHOLESALE WATER SERVICE; 2. "INTERLOCAL AGREEMENT RELATING TO WATER SERVICE" between the County and Indian Hills General Improvement District (IHGID); 3. "INTERLOCAL CONTRACT between Douglas County and the Carson Water Subconservancy District Addressing Funding for the Construction of Phase 1 of the North Douglas County and Carson City Water Line Intertie;" 4. "INTERLOCAL CONTRACT between CARSON CITY and the Carson Water Subconservancy District Addressing Funding for the Construction of Phase 1 of the North Douglas County and Carson City Water Line Intertie;" 5. INTERLOCAL AGREEMENT RELATING TO THE PURCHASE OF WATER between Carson City and the Town; 6. INTERLOCAL AGREEMENT RELATING TO THE PURCHASE OF WATER between IHGID and the Town.
- b. This Agreement shall not become effective until CARSON CITY has issued bonds backed by the revenue generated from the operation of the

Carson water delivery system in the amount of SIXTEEN MILLION DOLLARS (\$16,000,000.00) for the purpose of paying for CARSON CITY's obligations under this Agreement.

2. TERM OF AGREEMENT. This Agreement is to provide a means of delivering and sharing water resources between the Parties. The nature of the Agreement requires that the Parties use their best efforts to keep it in place as long as customers of both entities are dependent on the interconnection of the Parties' water systems. Once DOUGLAS or CARSON CITY commences the purchase of water from the Town of Minden, all water resource commitments shall remain under the terms and conditions of this Agreement and any operating parameters agreed to subsequent to the date of approval of this Agreement.

As such, unless this Agreement is terminated as provided herein, it will run perpetually from its effective date.

3. CARSON CITY'S RESPONSIBILITIES.

a) CARSON CITY will purchase water from DOUGLAS in the total annual amount not to exceed the amount of acre-feet of water purchased from or conveyed to Town by CARSON CITY for pumping from Minden wells with a peak available flow of 3,500 gallons per minute (GPM) for Phase 1, and an additional 1,000 GPM for Phase II, for a total available flow not to exceed 4,500 GPM. The Parties agree that such water will be delivered by DOUGLAS COUNTY through the interconnection of CARSON CITY's and DOUGLAS' water delivery system in accordance all applicable Federal, State and local laws and regulations governing the delivery of water and produced from the well or wells and related infrastructure.

b) CARSON CITY agrees to enter into a separate agreement with the Town for the purchase of and transfer and conveyance of water rights to the Town's wells.

c) CARSON CITY agrees to be bound by the terms of this Agreement developed within the parameters of the terms of Paragraph 5 of this Agreement including the obligation to pay any and all expenses related to the operation of the DOUGLAS water delivery system, as those expenses are directly related to the delivery of water from DOUGLAS to CARSON CITY pursuant to this Agreement.

d) CARSON CITY agrees to reimburse to DOUGLAS Phase I actual construction costs and Phase II actual construction costs, including all costs associated with the design, bidding, permitting, testing and inspection of the improvements in accordance with the percentages in Exhibit "A." The final costs will be based on actual executed contract amounts and final construction costs. Such reimbursement will be made in accordance with and within 30 days of CARSON CITY's receipt of invoices from DOUGLAS.

4. DOUGLAS' RESPONSIBILITIES.

a) DOUGLAS will approve an agreement, only after affording CARSON CITY, IHGID and the CWSD the opportunity to review construction and bidding documents and provide input, for construction of the intertie Project to accomplish the interconnection between the DOUGLAS' water delivery system and CARSON CITY's water delivery system.

b) DOUGLAS agrees to establish a restricted reserve fund to account for depreciation funds for the sole use of replacement of the improvements referenced in Section 3.d.

c) DOUGLAS agrees to be bound by the terms of this Agreement developed pursuant to the terms of Paragraph 5 of this Agreement.

5. MUTUAL RESPONSIBILITIES.

a) Each Party agrees that any and all duties required of either Party pursuant to the terms of this Agreement are contingent upon DOUGLAS entering into a separate agreement for the purpose of constructing infrastructure to allow for delivering water from the Town of Minden by DOUGLAS to CARSON CITY's water delivery system.

b) Each Party agrees that the staff of DOUGLAS and the staff of CARSON CITY will mutually develop the operational guidelines of this Agreement and will address such issues as notification, operating parameters, timeframes for exchange of water, reimbursement of operating and depreciation costs, and such other matters necessary as determined by staff.

c) Each Party agrees that in the event of any failure of any existing or future infrastructure of either Party's water delivery system or of the water delivery system constructed by DOUGLAS' contractor required to meet the obligations of this Agreement, which interrupts, restricts or impairs the delivery of water, necessary repairs, rehabilitation or replacements, such failure will be addressed promptly and in conformance with all applicable industry and water utility standards.

d) Each Party agrees that any and all well(s) and infrastructure located within existing DOUGLAS water systems are owned and operated by DOUGLAS and any and all well(s) and infrastructure located within the existing CARSON CITY water systems are owned and operated by CARSON CITY. The Parties agree that any future wells or infrastructures which expand the existing CARSON CITY water system, including connection to the intertie Project, shall be owned and operated by CARSON CITY. The Parties agree that any future wells or infrastructures which expand the existing DOUGLAS water systems shall be owned and operated by DOUGLAS.

e) The Parties agree that each respective Party shall be responsible for the maintenance repair or reconstruction of any and all well(s) or any other infrastructure owned by that respective Party.

f) The Parties agree that all water being provided by DOUGLAS to CARSON CITY shall be in compliance with all Federal and State water quality standards.

g) To promote the efficient use of water resources which are the subject of this Agreement, both Parties agree to adopt and enforce conservation programs consistent with their respective community master plans.

h) The Parties agree to meet not less than every six months to review the operations of the respective utilities and to discuss operational issues and forecasting for future activities that may impact the operations of the interconnection or the costs and expenses associated therewith. The Parties agree to be proactive in dealing with both operational and financial aspects of their respective operations and the associated impacts on the interconnection.

i) In the event that Phase II improvements are not required by one or more of the entities to meet their individual peak demands set forth in Section 3.a., but are necessary to meet the combined peak demands of all involved entities, one or more entities may elect to move forward with the Phase II improvements without the involvement of the other entities. All costs will be covered by the entities moving forward with the Phase II improvements. However, when the non-participating entities require the additional capacity, they will reimburse the entities that had already moved forward the costs they incurred utilizing the percentages as set forth in Section 3.d., plus any carrying costs incurred by the entities that moved forward initially.

6. **PLANS.** Either Party has the right to inspect any plan pertinent to the Project contemplated by this Agreement. Each Party will provide the other with complete information about the infrastructure of their respective water systems. Furthermore, each Party will share with the other its water testing results to ensure water provided hereunder meets Federal, State and local requirements. Such documentation is restricted and should be treated in accordance with NRS 239C.090 and NRS 239C.220.

7. METHODOLOGY AND RATES

a) DOUGLAS and CARSON CITY agree that the methodology for charging reimbursement costs for water delivered through this Agreement is based on the inclusion of the following items which include, but are not limited to, the wholesale cost of water delivered from the Town's system, Douglas County actual operation and maintenance costs for pumps, motors, pipelines, water treatment equipment, including replacement costs, and actual costs for chemicals, power, and labor.

b) Based on the methodology and costing criteria in subsection a. above, the operating and maintenance cost to deliver water to DOUGLAS from CARSON CITY or from DOUGLAS to CARSON CITY, has been jointly determined by the Parties. Exhibit "B" details the draft water rates for delivery of water to CARSON CITY. The rates are subject to change based on final construction costs, actual power costs, etc.

c) The costs in subsections a and b above will be evaluated for appropriateness on an annual basis by the Public Works directors of each Party. If a cost difference is determined, any revised rates must be approved by the governing boards of both bodies. The Parties agree to revisit the rates annually for the first three (3) years and not less than once every five (5) years after the first three (3) years to insure that the rates accurately reflect the costs to the respective utilities. Unless both Parties agree that a full rate study is appropriate, the revisiting of rates does not require a full rate study but is a basic evaluation of costs versus rates. The cost of conducting a full rate study or evaluation, as well as the cost of actions necessary for rate revisions such as public hearings, shall be borne equally by both Parties.

d) Billing for the cost to deliver water will be calculated monthly and be paid within 30 days of the date of the receipt of invoice.

8. NOTICES

a) All written notices under this Agreement shall be delivered to the following officials at the addresses stated:

Carl Ruschmeyer, Director of Douglas Co. Public Works
P.O. Box 218, NV 89423
Cruschmeyer@co.douglas.nv.us

Andrew Burnham, Public Works Director
3505 Butti Way, Carson City, NV 89701
Aburnham@ci.carson-city.nv.us

b) All emergency notifications regarding delivery of water or water quality will be delivered via telephone to the respective 24 hour Dispatch Centers below:

DOUGLAS – DOUGLAS County Dispatch Center at (775) 782-9935
CARSON CITY – Carson City Dispatch Center at (775) 887-2007

10. LIMITED LIABILITY. The Parties will not waive and intend to assert available NRS chapter 41 liability limitations in all cases. Contract liability of both Parties shall not be subject to punitive damages.

11. INDEMNIFICATION. Each Party agrees to indemnify and hold harmless the other Party, to the extent provided by law, including, but not limited to, NRS chapter 41, from and against any liability arising out of the performance of this Agreement

proximately caused by any act or omission of its officers, agents, and employees. The Parties will not waive and intend to assert available NRS chapter 41 liability limitations in all cases. Contract liability of both Parties does not include punitive damages.

12. OWNERSHIP OF FACILITIES. Each entity maintains ownership of its own facilities and no transfer of ownership is implied as part of this Agreement.

13. REASONABLE CARE. Each Party shall exercise reasonable care in the performance of its obligations and rights under this Agreement to ensure that the other Parties' facilities and operations are not impaired or damaged.

14. PROTECTION OF A PARTY'S SEPARATE FACILITIES. If any occurrence or conditions during operation or maintenance of the interconnection threaten the physical integrity or operational capability of a Party's separate facilities, upon notification to the other Party the affected Party may stop operation or maintenance of the interconnection and/or take any action that the affected Party determines to be necessary to protect its own separate facilities. Any Party may remove part of the interconnection if required, for emergency repair of its separate facilities provided that such affected interconnection facilities are restored as soon as possible by the removing Party.

15. RESPONSIBILITY FOR DAMAGES TO FACILITIES. If damages occur to interconnection facilities during the operation of interconnection under this Agreement, then responsibility to pay for any necessary repairs of said damaged facilities shall be as follows:

a) If damages occur when the interconnection is being operated within the Operating Standards (said Operating Standards to be agreed upon in writing by the Parties subsequent to execution of this Agreement as part of the design of the interconnection) then responsibility to pay for any necessary repairs to such damaged facilities shall be allocated based on ownership.

b) If damages occur when the interconnection is being maintained and/or is being operated beyond the Operating Standards, then responsibility to pay for any necessary repairs to said damaged facilities shall be allocated to the Party responsible for the nonstandard operations.

c) If damages occur to either Party's separate facilities during operation of the interconnection facilities under this Agreement, then responsibility to pay for any necessary repairs to the damaged separate facilities shall be as follows:

i) If damages occur when the interconnection is being operated within the Operating Standards, then responsibility to pay for any necessary repairs to said damaged separate facilities shall be allocated to the owner of said damaged facilities.

ii) If damages occur when the interconnection is being maintained and/or is operated beyond the Operating Standards, then responsibility to pay for any necessary repairs to said damaged separate facilities shall be allocated to the Party responsible for nonstandard operations.

16. DISPUTES. The Parties agree to first meet and confer to resolve any dispute. If such meet and confer does not resolve the dispute, the Parties agree to mediate before a department of the Ninth Judicial District Court of the State of Nevada in and for the County of Douglas, selected by a flip of the coin, any dispute between them that cannot be resolved by negotiations between the Parties. The Parties may also agree to another independent mediator. The fee, rate or charge of the mediator will be shared equally by the Parties, who will otherwise be responsible for their own attorney's fees and costs. If mediation is unsuccessful, litigation may proceed before a department of the Ninth Judicial Court of the State of Nevada in and for the County of Douglas that was not involved in the mediation process and attorney's fees and costs will be awarded to the prevailing party at the discretion of the Court.

17. FORCE MAJEURE: Neither Party shall be deemed to be in violation of this Agreement if it is prevented from performing any of its obligations hereunder due to protests, strikes, legal impossibility, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, emergencies or acts of God, including, without limitation, earthquakes, floods, winds, or storms. In such an event the intervening cause must not be through the fault of the Party asserting such an excuse, and the excused Party is obligated to promptly perform in accordance with the terms of this Agreement after the intervening cause ceases. In the event of an emergency, as defined at NRS 414.0345 or NRS 455.090, either Party may make use of available water to perform any function of emergency management.

18. SEVERABILITY. If any provision contained in this Agreement is held to be unenforceable by a court of law or equity, this Agreement shall be construed as if such provision did not exist and the non-enforceability of such provision shall not be held to render any other provision or provisions of this Agreement unenforceable.

19. TERMINATION. This Agreement deals with water resources and the provision of utility service by two retail community water utility systems. As such, the public interest is not served by the termination by one of the Parties to this Agreement absent an opportunity to resolve the alleged breach or have its position on the claimed breach heard before a qualified mediator in accordance with this Agreement.

This Agreement may be terminated only by the mutual consent and agreement of the Parties or order by a court of competent jurisdiction. If a Party is in breach of a portion of this Agreement then the Party alleging such breach shall provide written notice to the other Party specifying the nature of the violation and allowing thirty (30) days for the Party in breach to correct the violation. If the breach is not corrected within the thirty (30) day period then the matter shall be resolved in accordance with Paragraph 16 above.

20. PUBLIC RECORDS. Pursuant to NRS 239.010, information or documents may be open to public inspection and copying. The Parties will have the duty to disclose unless a particular record is made confidential by law or a common law balancing of interests.

21. CONFIDENTIALITY. Each Party shall keep confidential all information, in whatever form, produced, prepared, observed or received by that Party to the extent that such information is confidential by law or otherwise required by this Agreement.

22. PROPER AUTHORITY.

a) The Parties hereto present and warrant that the person executing this Agreement on behalf of each Party has full power and authority to enter into this Agreement and that the Parties are authorized by law to perform the services set forth in this Agreement.

b) The Parties are associated with each other only for the purpose and to the extent set forth in this Agreement, and in respect to performance of services and payment of costs pursuant to this Agreement, each Party is and shall be a public agency separate and distinct from the other Party and, subject only to the terms of this Agreement, shall have the sole right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Agreement. Nothing contained in this Agreement shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for one agency whatsoever with respect to the indebtedness, liabilities, and obligations of the other agency or any other Party.

23. GOVERNING LAW: JURISDICTION. This Agreement and the rights and obligations of the Parties hereto shall be governed by, and construed according to, the laws of the State of Nevada. The Parties consent to the jurisdiction of the Nevada district courts for enforcement of this Agreement.

24. ENTIRE CONTRACT AND MODIFICATION. This Agreement constitutes the entire Agreement of the Parties and such is intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other contracts that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Agreement specifically displays a mutual intent to amend a particular part of this Agreement, general conflicts in language between any such attachment and this Agreement shall be construed consistent with the terms of this Agreement. Unless otherwise expressly authorized by the terms of this Agreement, no modification or amendment to this Agreement shall be binding upon the Parties unless the same is in writing and signed by the respective Parties hereto.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the day and year first above written.

**DOUGLAS COUNTY BOARD
OF COUNTY COMMISSIONERS**

By: _____
Chair

Date: _____

Approved as to form:

By: _____
District Attorney

ATTEST:

By: _____
County Clerk

**CARSON CITY BOARD
OF SUPERVISORS**

By: _____
Mayor

Date: _____

Approved as to form:

By: _____
District Attorney

ATTEST:

By: _____
Clerk Recorder

Exhibit "A"

Minden Wholesale Water Rates for North County Water Deliveries to Douglas County, IHGID, and Carson City
11/24/2009

All Rates based on Dollars per 1000 gallons pumped by the Town of Minden for water rights transfer to the Town or allocated by the Town through a sales agreement.

| | 1. Treatment Phase | 2. Depreciation Phase In | 3. O&M Base | 4. Town Admin | Minden TOTAL Rate per 1000 gal. |
|---------|--------------------|--------------------------|-------------|---------------|---------------------------------|
| Year 1 | \$ 0.0100 | \$ 0.0860 | \$ 0.305 | \$ 0.0500 | \$ 0.451 |
| Year 2 | \$ 0.0100 | \$ 0.0920 | \$ 0.305 | \$ 0.0500 | \$ 0.457 |
| Year 3 | \$ 0.0125 | \$ 0.0930 | \$ 0.305 | \$ 0.0500 | \$ 0.461 |
| Year 4 | \$ 0.0150 | \$ 0.0950 | \$ 0.305 | \$ 0.0500 | \$ 0.465 |
| Year 5 | \$ 0.0150 | \$ 0.1050 | \$ 0.305 | \$ 0.0500 | \$ 0.475 |
| Year 6 | \$ 0.0200 | \$ 0.1200 | \$ 0.305 | \$ 0.0550 | \$ 0.500 |
| Year 7 | \$ 0.0300 | \$ 0.1440 | \$ 0.305 | \$ 0.0600 | \$ 0.539 |
| Year 8 | \$ 0.0500 | \$ 0.1601 | \$ 0.305 | \$ 0.0645 | \$ 0.580 |
| Year 9 | \$ 0.0500 | \$ 0.1972 | \$ 0.305 | \$ 0.0700 | \$ 0.622 |
| Year 10 | \$ 0.0500 | \$ 0.2120 | \$ 0.305 | \$ 0.0750 | \$ 0.642 |

- 1 Treatment phase in over 10 years from 1 to 5 cents per 1000 gallons agreed to with all users. These funds will be placed in restricted account in the event of future requirements utilized for treatment to meet Federal and State drinking water standards. In the event of future treatment requirements this rate will be subject to change to provide funding necessary to construct the necessary treatment facilities.
- 2 Depreciation Phase In over 10 years. These funds will be placed in a restricted account to be utilized solely for the replacement of existing infrastructure, wells, pumps, tanks, water lines, generators, controls equipment, etc as the equipment becomes necessary to replace. These numbers are for Town of Minden improvements and water infrastructure and are based on the replacement costs for all tanks, wells, booster stations, controls, telemetry, and 16" and greater lines used in the production and delivery of wholesale water.
This rate may change as actual costs are developed upon completion of the construction of the improvements necessary to deliver water to the north valley, IHGID, and Carson City areas.
This is apportioned based on water pumped from Minden to the north compared to total water pumped by Minden.
- 3 O&M base set based on a prorated usage of 6550 acre-ft and expenses of \$650,000
This rate may change as power and other O&M costs increase over time.
This is apportioned based on water pumped from Minden to the north compared to total water pumped by Minden.
- 4 Town Administration is phased in over a 10 year period. This is to cover unexpected expenses and other costs to the Town of Minden including unexpected replacement costs prior to full depreciation funding, payment of rising costs and expenses for operation and maintenance prior to their being incorporated into the next annual O&M base rate adjustment, water rights administration and maintenance for Minden water rights delivered to wholesale customers.

Exhibit "B"

Douglas Wholesale Water Rates for IHGID and Carson City

11/24/2009

All Rates based on Dollars per 1000 gallons delivered by Douglas County to IHGID or Carson City

| | 1. Depreciation Phase In | 2. O&M Base | Douglas TOTAL Rate per 1000 gal. To Carson City | Minden Total Rate per 1000 gal. From Exhibit 'A' | Total Rate per 1000 gal. |
|---------|--------------------------------|-------------------|--|---|-----------------------------|
| Year 1 | \$ 0.050 | \$ 0.100 | \$ 0.150 | \$ 0.451 | \$ 0.601 |
| Year 2 | \$ 0.074 | \$ 0.100 | \$ 0.174 | \$ 0.457 | \$ 0.631 |
| Year 3 | \$ 0.104 | \$ 0.100 | \$ 0.204 | \$ 0.461 | \$ 0.665 |
| Year 4 | \$ 0.138 | \$ 0.100 | \$ 0.238 | \$ 0.465 | \$ 0.703 |
| Year 5 | \$ 0.173 | \$ 0.100 | \$ 0.273 | \$ 0.475 | \$ 0.748 |
| Year 6 | \$ 0.173 | \$ 0.100 | \$ 0.273 | \$ 0.500 | \$ 0.773 |
| Year 7 | \$ 0.173 | \$ 0.100 | \$ 0.273 | \$ 0.539 | \$ 0.812 |
| Year 8 | \$ 0.173 | \$ 0.100 | \$ 0.273 | \$ 0.580 | \$ 0.853 |
| Year 9 | \$ 0.173 | \$ 0.100 | \$ 0.273 | \$ 0.622 | \$ 0.895 |
| Year 10 | \$ 0.173 | \$ 0.100 | \$ 0.273 | \$ 0.642 | \$ 0.915 |

| | 3. Depreciation Phase In | 4. O&M Base | Douglas TOTAL Rate per 1000 gal. To IHGID | Minden Total Rate per 1000 gal. From Exhibit 'A' | Total Rate per 1000 gal. |
|---------|--------------------------------|-------------------|---|---|-----------------------------|
| Year 1 | \$ 0.022 | \$ 0.040 | \$ 0.062 | \$ 0.451 | \$ 0.513 |
| Year 2 | \$ 0.033 | \$ 0.040 | \$ 0.073 | \$ 0.457 | \$ 0.530 |
| Year 3 | \$ 0.046 | \$ 0.040 | \$ 0.086 | \$ 0.461 | \$ 0.546 |
| Year 4 | \$ 0.061 | \$ 0.040 | \$ 0.101 | \$ 0.465 | \$ 0.566 |
| Year 5 | \$ 0.076 | \$ 0.040 | \$ 0.116 | \$ 0.475 | \$ 0.591 |
| Year 6 | \$ 0.076 | \$ 0.040 | \$ 0.116 | \$ 0.500 | \$ 0.616 |
| Year 7 | \$ 0.076 | \$ 0.040 | \$ 0.116 | \$ 0.539 | \$ 0.655 |
| Year 8 | \$ 0.076 | \$ 0.040 | \$ 0.116 | \$ 0.580 | \$ 0.696 |
| Year 9 | \$ 0.076 | \$ 0.040 | \$ 0.116 | \$ 0.622 | \$ 0.738 |
| Year 10 | \$ 0.076 | \$ 0.040 | \$ 0.116 | \$ 0.642 | \$ 0.758 |

- 1 Depreciation Phase In over 5 years. These funds will be placed in a restricted account to be utilized solely for the replacement of the Phase 1 transmission mains, water tank, and North County booster station.
This rate may change as actual costs are developed upon completion of the construction of the improvements necessary to deliver water to the north valley, IHGID, and Carson City areas. This is apportioned based on water deliveries through the Phase 1 improvements to Carson City.
- 2 O&M base set on assumed maintenance and operational costs created by the County for the Phase 1 transmission mains, water tank, and North County booster station.
This rate may change as power and other O&M costs change over time.
This is apportioned based on water deliveries through the Phase 1 improvements to Carson City.
- 3 Depreciation Phase In over 5 years. These funds will be placed in a restricted account to be utilized solely for the replacement of the Phase 1 transmission mains and water tank.
This rate may change as actual costs are developed upon completion of the construction of the improvements necessary to deliver water to the north valley, IHGID, and Carson City areas. This is apportioned based on water deliveries through the Phase 1 improvements to IHGID.
- 4 O&M base set on assumed maintenance and operational costs created by the County for the Phase 1 transmission mains and water tank.
This rate may change as power and other O&M costs change over time.
This is apportioned based on water deliveries through the Phase 1 improvements to IHGID.