

**City of Carson City
Agenda Report**

Date Submitted: June 21, 2013

Agenda Date Requested: July 3, 2013
Time Requested: 5 minutes

To: Mayor and Supervisors

From: Public Works Department

Subject Title: For Possible Action: Action to adopt Resolution No. _____ a resolution approving and authorizing the Mayor to sign the "FIRST AMENDMENT TO INTERLOCAL AGREEMENT RELATING TO WATER SERVICE (North Douglas County and Carson City Water Line Intertie Project) BETWEEN DOUGLAS COUNTY AND CARSON CITY" an amended interlocal agreement by and between Carson City and Douglas County Relating to Water Service.

Staff Summary: This amended agreement facilitates the delivery of Carson City owned water rights from the Town of Minden, through Douglas County, to Carson City. This amendment to the agreement sets forth the provisions to pay for the transfer of water being delivered to Carson City through the 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 (XX) No

Recommended Board Action: I move to adopt Resolution No. _____ a resolution approving and authorizing the Mayor to sign the "FIRST AMENDMENT TO INTERLOCAL AGREEMENT RELATING TO WATER SERVICE (North Douglas County and Carson City Water Line Intertie Project) BETWEEN DOUGLAS COUNTY AND CARSON CITY".

Explanation for Recommended Board Action: This amendment facilitates the means for Carson City receiving water from Douglas County with regards to payment.

When the original agreement was adopted in July of 2010, the wholesale water rate to deliver the water was estimated based on estimates of construction costs for the infrastructure needed to bring water from Minden, through Douglas County and to Carson City. The North Douglas County and Carson City Water Line Intertie Project is now substantially complete and the majority of actual costs have been realized. This amended interim wholesale water rate is based on the actual costs of construction and the estimated yearly costs of operations and maintenance.

It is anticipated by all parties that a wholesale water rate will be further developed once the sufficient operating/maintenance data is collected. It is estimated that this would take place no later than the Spring of 2016.

As staff was anticipating this current adjustment, these costs have already been factored into the City financial model for the water fund.

Applicable Statue, Code, Policy, Rule or Regulation: N/A

Fiscal Impact: Increases cost for wholesale water delivered to Carson City.

Explanation of Impact: Water costs are budgeted for the increase.

Funding Source: Water Fund.

Alternatives: Provide other direction to staff.

Supporting Material: First Amendment to Interlocal Agreement, Resolution, and Original Agreement.

Prepared By: Darren L Schulz, PE – Deputy Public Works Director

Reviewed By: [Signature] Date: 6-24-13
(Department Head)

Concurrences: [Signature] Date: 6/25/13
(City Manager)

[Signature] Date: 6/25/13
(District Attorney)

[Signature] Date: 6/25/13
(Finance Director)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

**FIRST AMENDMENT
TO
INTERLOCAL AGREEMENT RELATING TO WATER SERVICE**

(North Douglas County and Carson City Water Line Intertie Project)

**BETWEEN
DOUGLAS COUNTY
AND
CARSON CITY**

WHEREAS, Douglas County ("COUNTY"), a political subdivision of the State of Nevada, and Carson City, a consolidated municipality and political subdivision of the State of Nevada ("CARSON CITY"), are public agencies pursuant to NRS 277.100; and

WHEREAS, COUNTY and CARSON CITY both own and administer water rights and are authorized by the laws of Nevada to construct, improve, maintain, provide capital improvements and related serves for and to operate water supply and distribution systems capable of supplying public drinking water to federal and state standards; and

WHEREAS, on January 21, 2010, COUNTY and CARSON CITY entered into an Interlocal Agreement Relating to Water Service, recorded with the Douglas County Recorder's Office as Instrument 0757630, Book 0110, Page 4458 (the "Interlocal Agreement"); and

WHEREAS, COUNTY and CARSON CITY desire to amend the Interlocal Agreement to establish an interim wholesale water rate until the North Douglas County and Carson City Water Line Intertie Project is completed (the "Project"); and

WHEREAS, COUNTY and CARSON CITY desire to jointly calculate a wholesale water rate once the Project is completed and sufficient operating data is collected.

NOW, THEREFORE, in consideration of the promises and provisions contained in this First Amendment to Interlocal Agreement to Provide Wholesale Water Service ("First Amendment"), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties mutually agree as follows:

1. Paragraph 2 of the Agreement shall be amended to read as follows:

TERM. This Agreement is to provide a means for delivering and sharing water resources between the Parties. The nature of the Agreement requires that the Parties use their best efforts to maintain the Agreement as long as the Parties' customers require water from the interconnection of the water systems maintained by the Parties. Therefore, the Parties intend the Agreement to be in effect in perpetuity unless the Agreement is otherwise terminated as provided herein.

2. Paragraph 3(c) of the Agreement shall be amended to read as follows:

CARSON CITY'S RESPONSIBILITIES. The costs in subsections 7(a) and 7(b) below will be evaluated for appropriateness on an annual basis by the Public Works Directors of each Party. CARSON CITY agrees to purchase and take delivery of water from DOUGLAS at the delivery rates provided for in Exhibit "B" and promptly pay to DOUGLAS any and all expenses incurred by COUNTY to deliver water from COUNTY to CARSON CITY. In addition to the cost of any wholesale water purchased by COUNTY from the Town of Minden for delivery to CARSON CITY, CARSON CITY will pay the operations, maintenance and other costs incurred by COUNTY to provide water to CARSON CITY.

3. Paragraph 7 shall be amended to include, in addition to its current language, the addition of Paragraph 7(e) that shall read as follows:

The wholesale water rates shown in Exhibit "B" are based on the assumption that CARSON CITY will begin accepting delivery of water from COUNTY by April 1, 2014. If CARSON CITY fails to accept water from COUNTY by July 1, 2014, then COUNTY and CARSON CITY agree to meet and confer to reach a solution to address any issues caused by CARSON CITY'S failure to take delivery of water from COUNTY. If an agreement cannot be reached between COUNTY and CARSON CITY by November 1, 2014, the Parties agree to comply with the provisions of Paragraph 15 of this Agreement.

4. Paragraph 7 shall be amended to include, in addition to its current language, the addition of Paragraph 7(f) that shall read as follows:

On January 1st of each year, in the event that CARSON CITY utilizes, on average, more water from COUNTY during the prior calendar year than the water rights transferred to and held by the Town of Minden for the benefit of CARSON CITY, COUNTY may charge CARSON CITY a fee equal to 0.25% of the price of a water right then in effect as set by the Town of Minden Board for each excess acre-foot, or portion thereof, utilized by CARSON CITY. CARSON CITY may not utilize more water than the water rights it has transferred to the Town of Minden for more than two consecutive years.

5. Effective July 1, 2013, Exhibit "B," incorporated by reference in Paragraph 7 of the Interlocal Agreement, is amended and replaced with the Attached Exhibit "B," Douglas County Wholesale Water Rates to Carson City.
6. Article 22 is amended and revised as follows:

GOVERNING LAW; VENUE. The laws of the State of Nevada apply in interpreting and construing this Agreement. The Parties agree that venue in any judicial action concerning this Agreement will be in the Ninth Judicial District Court in and for the County of Douglas, State of Nevada.

IN WITNESS WHEREOF, the Parties have caused this First Amendment to Interlocal Agreement Relating to Water Service to be executed as of the _____ day of June, 2013.

Douglas County

Carson City

By: _____
Lee Bonner, Chairman
Douglas County Board of Commissioners

By: _____
Robert L. Crowell, Mayor
Carson City Board of Supervisors

Attest:

Attest:

By: _____
Ted Thran
Douglas County Clerk/Treasurer

By: _____
Alan Glover
Clerk/Recorder

Approved as to form:

Approved as to form:

By: _____
Douglas County District Attorney

By: _____
Carson City District Attorney

Exhibit "B," Douglas County Wholesale Water Rates to Carson City

Fiscal Year	Depreciation	O&M and Power	Douglas Total Rate per 1,000 gal.	Minden Total Rate per 1,000 gal.	Douglas Wholesale Rate to Carson City per 1,000 gal.
FY 2013-14	\$ 0.050	\$ 0.081	\$ 0.131	\$ 0.540	\$ 0.671
FY 2014-15	\$ 0.050	\$ 0.081	\$ 0.131	\$ 0.555	\$ 0.686
FY 2015-16	\$ 0.050	\$ 0.081	\$ 0.131	\$ 0.563	\$ 0.694
FY 2016-17	\$ 0.101	\$ 0.081	\$ 0.182	\$ 0.595	\$ 0.777
FY 2017-18	\$ 0.101	\$ 0.081	\$ 0.182	\$ 0.625	\$ 0.807
FY 2018-19	\$ 0.151	\$ 0.081	\$ 0.232	\$ 0.720	\$ 0.952
FY 2019-20	\$ 0.151	\$ 0.081	\$ 0.232	\$ 0.750	\$ 0.982
FY 2020-21	\$ 0.202	\$ 0.081	\$ 0.283	\$ 0.780	\$ 1.063
FY 2021-22	\$ 0.202	\$ 0.081	\$ 0.283	\$ 0.800	\$ 1.083
FY 2022-23	\$ 0.252	\$ 0.081	\$ 0.333	\$ 0.810	\$ 1.143

DOC # 0757630
01/25/2010 08:47 AM Deputy: DW
OFFICIAL RECORD
Requested By:
DC/PUBLIC WORKS

Assessor's Parcel Number: N/A

Date: JANUARY 22, 2010

Recording Requested By:

Douglas County - NV
Karen Ellison - Recorder
Page: 1 Of 14 Fee: 0.00
BK-0110 PG- 4458 RPTT: 0.00



Name: EILEEN CHURCH, PUBLIC WORKS

Address: _____

City/State/Zip: _____

Real Property Transfer Tax: \$ N/A

INTERLOCAL AGREEMENT #2010.020
(Title of Document)

COPY

INTERLOCAL AGREEMENT RELATING TO WATER SERVICE

FILED

NO. 2010.020

This INTERLOCAL AGREEMENT RELATING TO WATER SERVICE ("Agreement") is entered into this 21st day of January, 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".

2010 JAN 22 AM 10:56
TED THURAN
CLERK

RECITALS

WHEREAS NRS 277.100(1) defines a public agency eligible to enter into an interlocal contract to include counties, unincorporated towns 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), an unincorporated town and public agency under NRS 277.100(1), 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 fund established for the Project,

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PG- 4459
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operational, maintenance and treatment costs associated with the Project, is the North Douglas County and Carson City Water Line Intertie Valley Water Project Fund (Project Fund), which will be money for such purposes held in trust by the Town consisting of revenue collected by the Town from the sale of wholesale water to the COUNTY. The Project Fund will be a specially designated reserve account within the Town's Water Enterprise Fund for the sole purpose to fund future water treatment improvements. 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 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, COUNTY, CARSON CITY and the CWSD; and

WHEREAS 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 will only become effective after it is approved by the governing body of each Party, and upon the effective dates of the following agreements integral to the Project: 1. "INTERLOCAL AGREEMENT TO PROVIDE WHOLESALE WATER SERVICE" between Douglas County and Minden; 2. "INTERLOCAL AGREEMENT RELATING TO WATER SERVICE" between Douglas County and the 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 AGREEMENT BY AND BETWEEN CARSON CITY AND THE TOWN OF MINDEN FOR THE SALE AND TRANSFER OF WATER RIGHTS AND THE DELIVERY OF WATER;" RELATING TO THE PURCHASE OF WATER between Carson City and Minden; 5. "INTERLOCAL AGREEMENT

RELATING TO WATER RIGHTS AND WATER DELIVERY" between IHGID and Minden; and 6. "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."

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) for the purpose of paying for CARSON CITY's obligations under this Agreement. Such money will be used only for capital expenditures, not maintenance or operation costs.

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 COUNTY or CARSON CITY commences the purchase of water from the Town, 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 reimburse COUNTY for the cost of transmitting water in the total annual amount not to exceed the number of acre-feet of water purchased from or conveyed to Town by CARSON CITY pursuant to the INTERLOCAL AGREEMENT RELATING TO THE PURCHASE OF WATER between Carson City and the Town for pumping from Minden wells with a peak available flow of 3,500 gallons per minute (GPM) for Phase I, 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 COUNTY through the interconnection of CARSON CITY's and COUNTY's water delivery systems 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 COUNTY water delivery system, as those expenses are directly related to the delivery of water from COUNTY to CARSON CITY pursuant to this Agreement.

d) CARSON CITY agrees to reimburse to COUNTY 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.

4. COUNTY'S RESPONSIBILITIES.

a) COUNTY 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 COUNTY's water delivery system and CARSON CITY's water delivery system.

b) COUNTY 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) COUNTY 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 COUNTY entering into a separate agreement for the purpose of constructing infrastructure to allow for delivering water from the Town of Minden by COUNTY to CARSON CITY's water delivery system.

b) Each Party agrees that the staff of COUNTY 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 COUNTY's 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 COUNTY water systems are owned and operated by COUNTY 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 shall be owned and operated by CARSON CITY. The Parties agree that any future wells or

infrastructures which expand the existing COUNTY water systems shall be owned and operated by COUNTY.

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 COUNTY 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) COUNTY 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, the COUNTY's 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 7 (a) above, the operating and maintenance cost to deliver water to COUNTY from CARSON CITY or from COUNTY 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 factors including final construction costs and actual power costs.

c) The costs in subsections 7 (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 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, Minden, 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:

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

9. 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.

10. 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.

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

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

13. 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 other 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 to operation as soon as possible by the removing Party.

14. RESPONSIBILITY FOR DAMAGE TO FACILITIES. If damage occurs 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 damage occurs 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 damage occurs 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 damage occurs 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 damage occurs 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 damage occurs 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.

15. 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.

16. 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.

17. 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.

18. 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 of this Agreement 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 by the order of a court with 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.

19. 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 or the order of a court having jurisdiction.

20. 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.

21. 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.

22. 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 agree that venue in any judicial action concerning this Agreement shall be in a northern Nevada court having jurisdiction.

23. ENTIRE CONTRACT AND MODIFICATION. This Agreement constitutes the entire Agreement of the Parties and as 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, approved by the boards of both Parties 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:

Michael A. Olson
Chairman

Date: January 21, 2010

Approved as to form:

By:

R. [Signature]
District Attorney

ATTEST:

By:

[Signature]
County Clerk

BY: Laurie [Signature]
Clerk to the Board

CARSON CITY BOARD
OF SUPERVISORS

By:

Robert L. Crowell
Mayor

Date: 1/21/10

Approved as to form:

By:

Neil A. [Signature]
District Attorney

ATTEST:

By:

Alan [Signature]
Clerk Recorder

EXHIBIT A
NORTH DOUGLAS COUNTY - CARSON CITY WATERLINE INTERTIE
COST ALLOCATION (ALTERNATIVE B)

PHASE I		DOUGLAS COUNTY	INGID	CARSON CITY	TOTAL
SECTION 1 (30" JOHNSON and HEYBOURNE to INGID TEE)		18.95%	23.73%	59.32%	100.00%
ESTIMATED COST	\$3,158,725	\$ 635,085	\$ 749,091	\$ 1,872,589	\$ 3,158,725
SECTION 2 (18" INGID TEE to INGID WTP)			100.00%		100.00%
ESTIMATED COST	\$1,270,035	\$ -	\$ 1,270,035	\$ -	\$ 1,270,035
SECTION 3 (30" INGID TEE to NORTH VALLEY / CARSON CITY BPS)		21.22%		77.78%	100.00%
ESTIMATED COST	\$4,019,925	\$ 893,227	\$ -	\$ 3,126,698	\$ 4,019,925
SECTION 4 (24" EXTENSION TO CARSON CITY WELL SITE)				100.00%	100.00%
ESTIMATED COST	\$487,500	\$ -	\$ -	\$ 487,500	\$ 487,500
SECTION 5 (1.5 MG JOHNSON LANE TANK AND PARALLEL 18", AND MINDEN BOOSTER PUMP STATION)		18.95%	23.73%	59.32%	100.00%
ESTIMATED COST	\$4,185,350	\$ 709,417	\$ 993,164	\$ 2,482,769	\$ 4,185,350
SECTION 6 (BPS TO NORTH SUNRIDGE DRIVE)			100.00%		100.00%
ESTIMATED COST	\$1,027,325	\$ 1,027,325	\$ -	\$ -	\$ 1,027,325

NOTE - REFER TO EXHIBIT B FOR LOCATION OF SECTIONS.

PHASE II		DOUGLAS COUNTY	INGID	CARSON CITY	TOTAL
SECTION 1 (30" HEYBOURNE AND MUELLER TO JOHNSON AND HEYBOURNE)		41.87%	30.58%	27.78%	100.01%
ESTIMATED COST	\$7,353,450	\$ 3,064,183	\$ 2,247,214	\$ 2,042,788	\$ 7,354,185
SECTION 2 (NORTH COUNTY / CARSON CITY BPS UPGRADES)		60.00%	0.00%	40.00%	100.00%
ESTIMATED COST	\$273,000	\$ 163,800	\$ -	\$ 109,200	\$ 273,000

NOTE - REFER TO EXHIBIT B FOR LOCATION OF SECTIONS.

SEE "NORTH DOUGLAS COUNTY WATER SYSTEM ANALYSIS," BY MANHARD CONSULTING, LTD., JULY 2009 FOR CALCULATIONS.

TOTAL ESTIMATED CAPITAL COST			
COST SHARING BASED ON DEMANDS AND PORTIONS USED	PHASE I	PHASE II	TOTAL
DOUGLAS COUNTY	\$ 3,165,034	\$ 3,227,983	\$ 6,393,017
INGID	\$ 3,012,308	\$ 2,247,214	\$ 5,259,524
CARSON CITY	\$ 7,869,517	\$ 2,151,988	\$ 10,121,505
TOTAL	\$ 14,146,860	\$ 7,627,185	\$ 21,774,045

December 14, 2009



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.	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.	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.



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The document to which this certificate is attached is a full, true and correct copy of the original on file and on record in my office.

DATE:

Jan 22, 2010
Clerk of the Judicial District Court
of the State of Nevada and for the County of Douglas.

By

Carol M. Hinchey Deputy