

NOTICE OF MEETING

OF THE
**PUBLIC, LEGISLATIVE AFFAIRS,
AND WATER RESOURCES
COMMITTEE**

OF THE
BOARD OF DIRECTORS
OF THE



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

IS SCHEDULED FOR
WEDNESDAY, AUGUST 12, 2015
9:00 A.M.

AT THE ADMINISTRATION HEADQUARTERS
6075 Kimball Avenue, Building A
Chino, CA 91708



**PUBLIC, LEGISLATIVE AFFAIRS, AND WATER RESOURCES
COMMITTEE MEETING
OF THE BOARD OF DIRECTORS
INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS, CHINO, CALIFORNIA**

**WEDNESDAY, AUGUST 12, 2015
9:00 A.M.**

CALL TO ORDER

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form, which are available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

1. ACTION ITEMS

A. MINUTES

The Committee will be asked to approve the Public, Legislative Affairs, and Water Resources Committee meeting minutes of July 8, 2015.

B. SERVICE TO UNINCORPORATED SAN BERNARDINO COUNTY

It is recommended that the Committee/Board:

1. Approve the agreements with California Steel Industries, Auto Club Speedway, Prologis, City of Fontana and Fontana Water Company to provide wastewater and recycled water services to a portion of the unincorporated area of San Bernardino County;
2. Authorize the General Manager, subject to non-substantial changes, to execute agreements.

C. CONTRACT AWARD FOR PROGRAM ENVIRONMENTAL IMPACT REPORT FOR PLANNING DOCUMENTS

It is recommended that the Committee/Board:

1. Award a professional service contract for the preparation of a Program Environmental Impact Report (PEIR) to Tom Dodson and Associates (TDA), for a not-to-exceed amount of \$330,000; and
2. Authorize the General Manager to execute the contract.

D. APPROVAL OF A MOU AND TERM SHEET FOR AN ENERGY STORAGE SERVICES AGREEMENT WITH ADVANCED MICROGRID SOLUTIONS, INC.

It is recommended that the Committee/Board:

1. Approve the Memorandum of Understanding (MOU) and Term Sheet between Inland Empire Utilities Agency and Advanced Microgrid Solutions, Inc. (AMS) for an Energy Storage Services Agreement; and
2. Authorize the General Manager, subject to non-substantial changes, to execute the MOU.

E. SUPPORT FOR STATE LEGISLATION

It is recommended that the Committee/Board approve a position of support for:

1. SB 385 – (Hueso) Primary Drinking Water Standards: Hexavalent Chromium;
2. SB 471 – (Pavley) Water, Energy and Reduction of Greenhouse Gas Emissions;
3. AB 888 – (Bloom) Waste Management: Plastic Microbeads; and,
4. AB 1144 – (Rendon) California Renewables Portfolio Standard Program.

2. INFORMATION ITEMS

A. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)

B. LEGISLATIVE REPORTS (WRITTEN)

1. West Coast Advisors
2. Innovative Federal Strategies

- C. CALIFORNIA STRATEGIES MONTHLY REPORT (WRITTEN)
 - D. STATE LEGISLATION MATRIX (WRITTEN)
 - E. FEDERAL LEGISLATION MATRIX (WRITTEN)
 - F. PLANNING AND ENVIRONMENTAL RESOURCES UPDATE (ORAL)
- 3. GENERAL MANAGER'S COMMENTS
 - 4. COMMITTEE MEMBER COMMENTS
 - 5. COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS
 - 6. ADJOURN

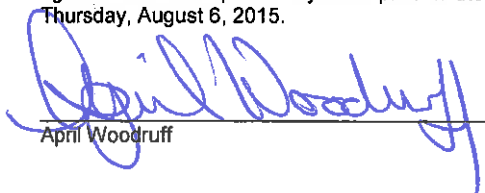
*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909-993-1736), 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements

Proofed by: JK

DECLARATION OF POSTING

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Avenue, Building A, Chino on Thursday, August 6, 2015.



April Woodruff

**ACTION
ITEM
1A**



MINUTES

PUBLIC, LEGISLATIVE AFFAIRS, AND WATER RESOURCES COMMITTEE MEETING INLAND EMPIRE UTILITIES AGENCY* AGENCY HEADQUARTERS, CHINO, CA

**WEDNESDAY, JULY 8, 2015
9:00 A.M.**

COMMITTEE MEMBERS PRESENT

Steven J. Elie, Chair
Michael Camacho

STAFF PRESENT

Jasmin Hall, Director
Chris Berch, Executive Manager of Engineering/AGM
Kathy Besser, Manager of External Affairs
Bonita Fan, Senior Environmental Resources Planner
Warren Green, Manager of Contracts & Facility Services
Sylvie Lee, Manager of Planning and Environmental Resources
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT

None

The meeting was called to order at 9:02 a.m. There were no public comments received or additions to the agenda.

ACTION ITEMS

The Committee:

- ◆ Approved the Public, Legislative Affairs, and Water Resources Committee meeting minutes of June 10, 2015.
- ◆ Recommended that the Board:
 1. Approve the Memorandum of Understanding (MOU) between IEUA, Monte Vista Water District and the City of Pomona for the development of a Recycled Water Interconnection; and
 2. Authorize the General Manager to make non-substantive changes and execute the MOU;

as a Consent Calendar Item on the July, 2015 Board meeting agenda.

INFORMATION ITEMS

The following information items were presented or received and filed by the Committee:

- ◆ Public Outreach and Communication Report
- ◆ Legislative Reports
- ◆ California Strategies, LLC Activity Report
- ◆ State Legislation Matrix
- ◆ Federal Legislation Matrix
- ◆ Planning and Environmental Resources 4th Quarter Update

GENERAL MANAGER'S COMMENTS

Executive Manager of Engineering/AGM Chris Berch provided a brief update on the current drought situation through the IEUA Water Forum handout. He also provided a status update on the turf removal program and the monthly water usage of the member agencies.

COMMITTEE MEMBER COMMENTS

There were no Committee member comments.

COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS

There were no Committee member requests for future agenda items.

With no further business, the meeting adjourned at 9:31 a.m.

Respectfully submitted,

April Woodruff
Board Secretary/Office Manager

*A Municipal Water District

APPROVED: AUGUST 12, 2015

**ACTION
ITEM
1B**

Date: August 19, 2015

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee (8/12/15)
Public, Legislative Affairs, and Water Resources Committee (8/12/15)
Finance, Legal, and Administration Committee (8/12/15)

From: P. Joseph Grindstaff
General Manager

Submitted by: Chris Berch
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee
Manager of Planning and Environmental Resources

Subject: Service to Unincorporated Area of San Bernardino County

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the agreements with California Steel Industries, Auto Club Speedway, Prologis, City of Fontana and Fontana Water Company to provide wastewater and recycled water services to a portion of the unincorporated area of San Bernardino County; and
2. Authorize the General Manager, subject to non-substantial changes, to execute agreements.

BACKGROUND

Auto Club Speedway (Speedway), California Steel Industries (CSI), and Prologis are located in the unincorporated area of San Bernardino County within the Inland Empire Utilities Agency (IEUA) service area. Domestic sewage generated from Speedway, CSI, Prologis and several surrounding properties is currently treated at the Prologis wastewater treatment plant located adjacent to IEUA's San Bernardino Avenue Lift Station (SBALS). Since the treatment plant is an aging facility that will require significant and costly capital upgrades in the near future, Speedway, CSI and Prologis intend to decommission the wastewater treatment plant and utilize permanent wastewater treatment services through IEUA. The City of Fontana (Fontana) would be the retail service provider to these properties. As the retail service provider, Fontana will collect wastewater fees and provide payment to IEUA in accordance with the Regional Contract.

In addition to the wastewater service, IEUA will provide Speedway and CSI recycled water for irrigation and industrial use through Fontana Water Company. Recycled water use (reduced groundwater pumping) at these sites will provide significant benefit to the Chino Basin Groundwater Management Zone No. 3 (MZ-3)

Project Activities

If approved, within ninety (90) days of the execution of the agreements, IEUA will design, construct and fund a temporary system to divert all flows currently treated at the Prologis wastewater treatment plant to the IEUA's SBALS. IEUA will fund the design and construction of the permanent system through connection fees and reimbursement from Speedway, CSI and Prologis.

The recycled water system will be constructed following the Public Utilities Commission's approval of the proposed recycled water rates for Speedway and CSI. The proposed rate was set at 85% of the Metropolitan Water District of Southern California's untreated Tier 1 rate. Following approval, IEUA will design and construct the recycled water system through reimbursement from Speedway and CSI. Speedway has the option to pay for connection fees, wastewater capital and recycled water capital costs by assigning pumping rights to IEUA. The duration of these agreements is sixty years. Following a detailed review, a categorical exemption from the California Environmental Quality Act (CEQA) has been adopted since the activities related to this agreement do not have any significant effect on the environment.

This project meets the Agency's Environmental Stewardship Goal through the implementation of actions that enhance or promote environmental sustainability, and the Water Reliability Business Goal in maximizing the beneficial reuse of recycled water to enhance reliability and reduce dependence on imported water.

PRIOR BOARD ACTION

None.

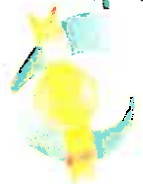
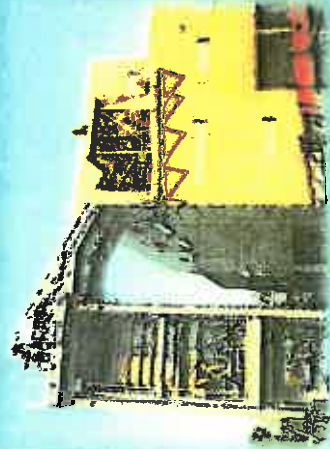
IMPACT ON BUDGET

If approved, the amount required to fund the project is included in the FY2015/16 Recycled Water Capital (WC) Fund budget under Project No. WR15021, "Napa Lateral".

Attachments

1. CSI Agreement
2. Speedway Agreement
3. Prologis Agreement
4. Fontana Water Company MOU
5. City of Fontana MOU

Service to Unincorporated Area of San Bernardino County August 2015



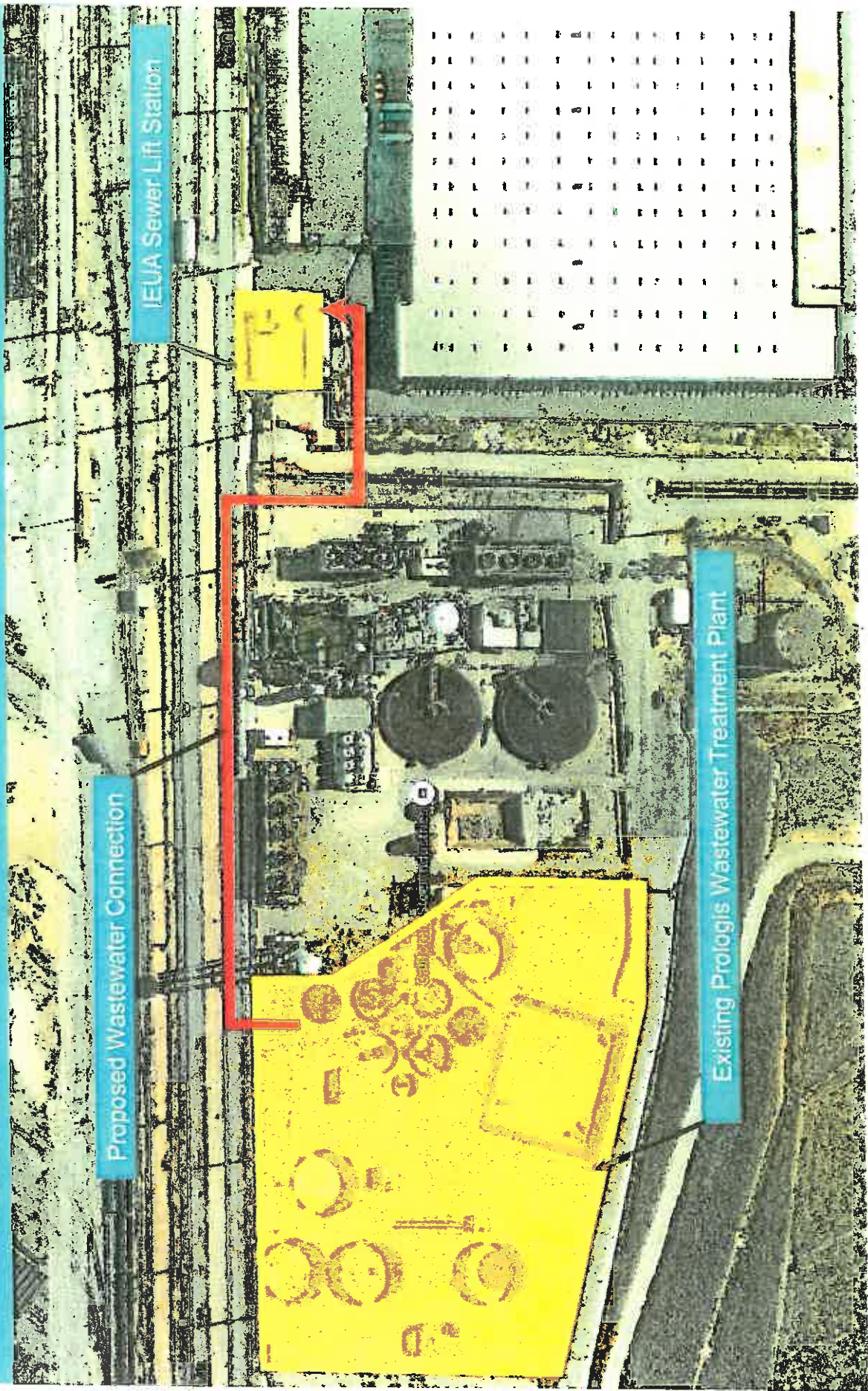
Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Project Scope

- Connect CSI, Speedway, Prologis, Other Parties to the Regional Sewerage System
- Address Legacy Sewer Issues
- Reliable, Cost Effective Wastewater Service
- Connect CSI, Speedway to the Recycled Water System
- Reduce Groundwater Pumping and Replace with RW
- Enhance MZ-3
- Potential Groundwater Recharge



Wastewater Project Location

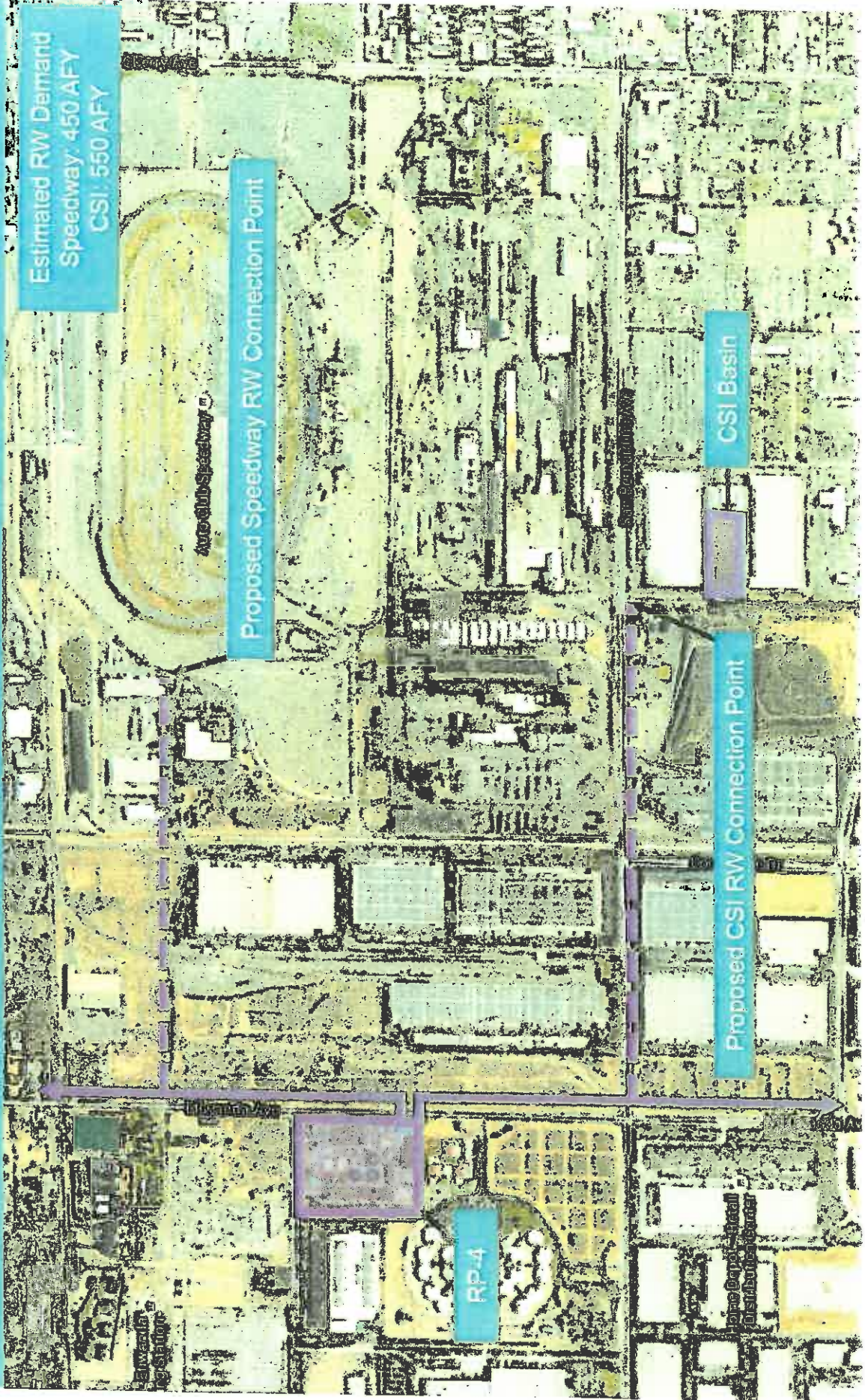


Proposed Wastewater Connection

IEUA Sewer Lift Station

Existing Prologis Wastewater Treatment Plant

RW Project Location



Project Activities

Stakeholder	Role
IEUA	<ul style="list-style-type: none"> - Design and Construction - Wholesale Wastewater and RW Service - RW and Sewer Pipeline O&M - Pretreatment - EDU and Water Connections
CSI, Prologis, Speedway	<ul style="list-style-type: none"> - Payment: EDU Connection Fees, Capital Costs, Monthly User Fees
Other Parties (Napa, Kaiser)	<ul style="list-style-type: none"> - Payment: EDU Connection Fees, Monthly User Fees
City of Fontana	<ul style="list-style-type: none"> - Retail Sewer Service
Fontana Water Company	<ul style="list-style-type: none"> - Retail Recycled Water Service



Project Budget and Schedule

Description	Funding	Estimated Cost
Temporary Wastewater System	IEUA	\$200,000
Wastewater Connection Fees	CSI, Prologis, Speedway (1)	\$3,000,000
Permanent Wastewater System	CSI, Prologis, Speedway (1)	\$900,000
RW System (San Bernardino Ave)	CSI	\$3,500,000
RW System (Napa Ave)	Speedway (1)	\$2,500,000

Project Phase	Date
Temporary Wastewater System Completion	November 2015
Permanent Wastewater System Completion	2017
RW System Design Start	2017 (2)

(1) Option to fund the project through pumping rights

(2) Pending PUC RW Rate Approval



Recommendation

Staff recommends the Board authorize the General Manager, subject to non-substantial changes, to execute the agreements with CSI, Speedway, Prologis, City of Fontana, and Fontana Water Company to provide wastewater and recycled water services to a portion of the unincorporated area of San Bernardino County.

This project meets the Agency's Environmental Stewardship Goal through the implementation of actions that enhance or promote environmental sustainability, and the Water Reliability Business Goal in maximizing the beneficial reuse of recycled water to enhance reliability and reduce dependence on imported water.

Questions?

Attachment #1

CSI Agreement

**AGREEMENT FOR THE PROVISION OF SEWER AND RECYCLED WATER
SERVICE**

This Agreement is entered into this, the ____ day of _____, 2015 (“Effective Date”), by and between Inland Empire Utilities Agency, a Municipal Water District; City of Fontana; Fontana Water Company; and California Steel Industries, Inc. (“CSI”).

RECITALS

WHEREAS, Inland Empire Utilities Agency is a Municipal Water District organized and existing pursuant to Section 71000, et seq. of the California *Water Code* and is authorized to provide wastewater treatment and recycled water services to property owned, operated, managed, and controlled by CSI; and

WHEREAS, The City of Fontana is a general law city located within the County of San Bernardino, State of California; and

WHEREAS, Fontana Water Company, a division of San Gabriel Valley Water Company, a California corporation, is a public utility water company subject to the regulatory jurisdiction of the California Public Utilities Commission (“PUC”) utility doing business in the County of San Bernardino, with its principal place of business being 15966 Arrow Route, Fontana, California; and is authorized to provide public utility water service, including service of recycled water, to its customers, such as CSI’s property, which are located within its service area as authorized and approved by the PUC; and

WHEREAS, CSI owns, operates, manages, and controls certain real property within the County of San Bernardino, State of California, which property is more commonly identified as 1 California Steel Way, Fontana, California 92335 and 14000 San Bernardino Avenue, Fontana, California 92335; and

WHEREAS, domestic sewage generated on said property as well as surrounding properties, is currently treated by the Prologis Wastewater Treatment Plant which is an aging and less reliable facility for the treatment of wastewater and which will require significant and costly capital upgrades in the near future; and

WHEREAS, Prologis wishes to decommission and demolish the Prologis Wastewater Treatment Plant and utilize, instead, permanent wastewater treatment services provided by Inland Empire Utilities Agency, thereby securing reliable and cost effective domestic wastewater service to meet current and future needs, including those of CSI; and

WHEREAS, Chino Basin Watermaster, an entity responsible for management of the Chino Basin groundwater resources together with Inland Empire Utilities Agency, the City of

Fontana, and Fontana Water Company have identified the need to reduce groundwater pumping from Chino Basin Management Zone 3, which is a source of water for CSI and Auto Club Speedway; and

WHEREAS, Inland Empire Utilities Agency wishes to provide to CSI, through Fontana Water Company and City of Fontana, recycled water in lieu of pumped groundwater from Management Zone 3 and to provide a cost effective method to fund capital and connection costs associated with recycled water service and to protect the Chino groundwater basin; and

WHEREAS, CSI owns, operates, maintains, and controls a basin which may be suitable for groundwater recharge which IEUA would like to utilize in the future for the recharge of recycled water into the Chino groundwater basin and CSI is amenable to allowing IEUA to utilize the basin for such purpose.

NOW THEREFORE, the Parties hereto agree as follows:

I. DEFINITIONS

- 1.1 "Basin" shall mean that basin owned, operated, managed, and controlled by CSI and currently utilized for storm water capture and groundwater recharge, which is located on CSI properties.
- 1.2 "Capital Costs" shall mean all actual, out of pocket costs incurred by IEUA for the design, engineering, construction, permitting, and all other similar third party costs of constructing the Temporary System, Permanent System and Recycled Water System.
- 1.3 "City" shall mean the City of Fontana.
- 1.4 "Connection Point" shall mean that location where the Temporary System and Permanent System are connected to the Lift Station (see 1.8 below).
- 1.5 "CSI" shall mean California Steel Industries, Inc.
- 1.6 "CSI Property" shall mean that certain property currently owned by California Steel Industries, Inc. and described in Exhibit "A" attached hereto.
- 1.7 "IEUA" shall mean the Inland Empire Utilities Agency, a Municipal Water District.
- 1.8 "Lift Station" shall mean that lift station facility owned by IEUA located on San Bernardino Avenue and depicted on Exhibit "B" of this Agreement.

1.9 "NAPA Properties" shall mean those four properties which are identified by the following San Bernardino County Assessor's Parcel Numbers: 0229-291-039-0000, 0229-291-034-0000, 0229-291-040-0000, and 0229-291-031-0000, and which are understood to be currently owned, respectively, by Triple-S California Logistics, LLC, a Texas limited liability company ("Triple-S"); Maas-Hansen Steel Corporation, a California corporation ("Maas"); McLeod Properties, Fontana LLC, a California limited liability company and Budway Enterprises, Inc., a California corporation (collectively, "McLeod"); and West Valley MRF, LLC, a California limited liability company ("MRF").

1.10 "Party" or "Parties" shall mean an entity, individually, or the entities, collectively, that are bound by and have executed this Agreement.

1.11 "Permanent System" shall mean that certain gravity sewer pipe for the transmission of wastewater to be designed and constructed by IEUA from the point of connection on the Sewer Property up to the point of connection to the IEUA Lift Station, and as depicted on Exhibit "C" of this Agreement. Sewer Property is that property owned by POLP and more commonly identified as Parcel 8 of Parcel Map 15640 recorded in San Bernardino Official Records, Book 207, Pages 26-30.

1.12 "Prologis" shall mean PAC Operating Limited Partnership and CCG Ontario Operations, LLC collectively.

1.13 "PWWTP" shall mean the Prologis Wastewater Treatment Plant.

1.14 "Regional Contract" shall mean the Chino Basin Regional Sewerage Service Contract with Exhibits (as amended October 19, 1994) as amended from time to time.

1.15 "Related Contracts" shall mean the following contracts: (a) this Agreement, (b) the Agreement for the Provision of Sewer Service between IEUA, the City, and Prologis dated substantially concurrently herewith, and (c) the Agreement for the Provision of Recycled Water and Sewer Service between IEUA, the City, the Water Company, and Speedway (defined below) dated substantially concurrently herewith, all of which are for the provision of temporary wastewater services, permanent wastewater services, and/or recycled water services.

1.16 "RWS" shall mean that infrastructure designed, constructed, maintained and controlled by IEUA to provide recycled water service to CSI Connections, as depicted on Exhibit "D" attached hereto.

1.17 "Speedway" shall mean California Speedway Corporation, a Delaware corporation, dba Auto Club Speedway.

1.18 "Temporary System" shall mean that certain above-ground piping for wastewater transmission to be designed and constructed by IEUA, located on POLP property and operated and maintained by POLP from the point of connection on the Sewer Property up to the point of connection to the IEUA Lift Station, and as depicted in Exhibit "E" of this Agreement, which shall remain in service from the date of its completion until such time as the Permanent System is completed and accepting wastewater flows. CSI shall maintain that part of the Temporary System located upon its property.

1.19 "Third-Party Properties" shall mean all of those properties located within the Kaiser Distribution Center industrial park which park is depicted in Exhibit "A" attached hereto, and/or which include, but is not limited to, those parcels which are understood to be currently owned by Watson Land Company, the Estate of James Campbell, the David F. Bolger Sixth Amended and Restated Revocable Trust, the Appel Family Trust, BNSF, and various entities which are affiliated with POLP, or other entities which have not yet developed their parcels within the park.

1.20 "Water Company" shall mean the Fontana Water Company.

II. WASTEWATER SERVICES

2.1 Temporary System. Within ninety (90) days of the execution of Related Agreements by IEUA, Prologis, CSI, Speedway, Water Company, and City, IEUA, at its soled cost and expense, shall design, construct, and connect the Temporary System which shall divert all flows currently treated at the PWWTP to IEUA's Lift Station. The Temporary System will be constructed above-ground and located as depicted in Exhibit "E" attached hereto. IEUA shall be responsible to comply with all entitlement requirements and regulatory requirements, including those established by the California Environmental Quality Act, necessary to complete the Temporary System. CSI shall cooperate with and support IEUA in the planning and implementation of the construction of the Temporary System and other reasonably required site improvements on CSI property with no compromise to CSI's operations. IEUA personnel and its agents shall adhere to CSI's safety and environmental policies and standards in doing so.

2.2 Service Date. Upon completion of the Temporary System, IEUA will begin accepting all untreated wastewater flows diverted from the PWWTP.

2.3 Operation and Maintenance. Prologis, by separate agreement, will operate and maintain the Temporary System from the location of the PWWTP to the IEUA Lift Station until such time as the Permanent System is operational so that it is accepting all flows of untreated wastewater from Prologis and all current users of the PWWTP. At such time, the Temporary System will be dismantled by IEUA. CSI shall maintain that part of the Temporary System located upon its property.

2.4 Permanent System. IEUA shall design and cause to be constructed all infrastructure necessary to create the Permanent System to divert all wastewater flows from the PWWTP to the Lift Station as depicted in Exhibit "C" attached hereto. In doing so, IEUA, at its sole cost and expense, will comply with all property acquisition needs and entitlement requirements necessary to complete the Permanent System. The Permanent System will replace the Temporary System.

2.5 Capital Cost. The capital cost, including but not limited to the cost of design, engineering, construction, and all other costs of constructing the Permanent System shall be allocated equally between Prologis, CSI, and Speedway up to a total amount of \$300,000 per Party. Any IEUA costs exceeding that amount shall not be reimbursable. If bids for the construction of the Permanent System exceed the not to exceed cost stated above, the Parties shall reopen negotiations and each Party shall have the option to withdraw from this agreement on condition that the withdrawing Party shall have paid all reimbursable costs accrued prior to the date of withdrawal. The reimbursable capital costs shall be paid within thirty (30) days of acceptance of the Permanent System as complete by the Board of Directors of IEUA with reasonable concurrence of CSI by signature of its Chief Executive Officer and IEUA shall submit an invoice to CSI setting forth the total costs owed. Interest at the maximum rate provided by California *Government Code*, Section 926.10 shall accrue on the total of all delinquent fees or charges, commencing on the 31st day, and shall be added to any fee or charge that becomes delinquent.

2.6 Operation and Maintenance. CSI shall own, operate, manage, control, inspect, maintain, and repair those permanent sewer infrastructure facilities located on CSI property up to the point of connection to the Permanent System as depicted on Exhibit "C". IEUA shall own, operate, manage, control, inspect, maintain and repair those permanent sewer infrastructure facilities located in the public right of way. In the event of the sale of all or part of its properties, it shall be incumbent upon CSI to assign to a successor-in-interest the ownership and obligation for operation, management, control, inspection, maintenance, repair, and replacement of the sewer infrastructure on the sold property. In the absence of any such assignment, CSI shall remain responsible for all said infrastructure. IEUA shall have no responsibility for the operation or maintenance of existing or future systems located on Third Party Properties or NAPA Properties or to any successors in interest to CSI properties.

2.7 Transition of Service. CSI shall cooperate with IEUA in the transition of wastewater treatment services from the PWWTP to the Permanent System. Not more than sixty (60) days prior to such transition, IEUA shall submit a schedule prepared in coordination with CSI, Prologis, and Speedway setting forth the acts required of each party and the timing thereof, to accomplish the transition. The costs associated with the transition activities described in this Section 2.7 shall be borne by the party incurring the expense.

2.8 Waste Regulation. The Temporary and Permanent Systems are to be used for domestic waste only. CSI shall ensure that its use of each System will be in compliance with all applicable laws, ordinances, and regulations, including those contained in the Regional Contract, a copy of which is identified as Exhibit "H" attached hereto. Within thirty (30) days following the Effective Date of this Agreement, Prologis shall inform the Served Property Owners (excluding CSI and Speedway) of their obligation to comply with the applicable laws, ordinances, and regulations, including those contained in the Regional Contract. IEUA shall be responsible for the administration of the pretreatment program with CSI, Speedway, Prologis, NAPA Properties and Third Party Properties.

2.9 Connection Fees. CSI shall pay directly to IEUA all connection fees associated with connecting its property to the Permanent System in an amount as prescribed by the Regional Contract. IEUA shall invoice CSI for connection fees within thirty (30) days of IEUA's acceptance of untreated wastewater through the Temporary System. CSI shall pay such invoice within 30 days of receipt. CSI also shall report any future fixture unit additions to IEUA and the City and shall pay applicable connection fees directly to IEUA in accordance with the applicable terms and conditions of the Regional Contract at the time when a building permit for any of such additions is issued. A current inventory of equivalent dwelling units ("EDU's") is attached hereto as Exhibit "F" and the current connection fees are set forth in Exhibit "G" attached hereto.

2.10 User Fees. CSI shall pay monthly wastewater user fees as billed by City (City fees) in accordance with the rate structure established by City for such services for similarly situated outside of City users. User fees shall be assessed from the date that IEUA begins accepting untreated wastewater flows into the Temporary System. The current rates are set forth in Exhibit "G".

III. RECYCLED WATER

3.1 Design and Construction. The RWS shall be constructed within 24 months of Water Company obtaining Public Utilities Commission (CPUC) approval of recycled water rates as provided in section 3.3 of this Agreement, and shall be deemed completed upon acceptance of the project by IEUA's Board of Directors, with the reasonable concurrence of CSI by signature of its Chief Executive Officer. Should CPUC approval not be obtained on or before the above-stated date, the Parties hereto shall meet and confer in good faith to consider the project being implemented with resulting terms acceptable to the Parties. IEUA shall design and cause to be constructed the RWS as depicted in Exhibit "D" which shall serve recycled water to CSI for industrial and irrigation use. In doing so, IEUA, at its sole cost and expense, shall comply with all property acquisition needs, entitlement requirements and regulatory requirements, including those established by the California Environmental Quality Act, necessary to complete the project. Through separate agreement with CSI, IEUA may also design and assist in the

construction of recycled water infrastructure to be situated on CSI property. The City agrees to cooperate and support the development of the RWS infrastructure, which would enable IEUA to comply with the provisions of this Agreement.

3.2 Ownership, Operation, and Maintenance. IEUA shall own, operate, inspect, manage, maintain, and repair the RWS depicted in Exhibit "D" from the point of connection and downstream. Said RWS shall be deemed a constituent of IEUA's overall recycled water system. CSI shall own, operate, inspect, manage, maintain and repair recycled water infrastructure situated upon CSI property up to the point of connection to the RWS. Water Company shall own, operate, inspect, manage, maintain, repair, and read the water meters at each such point of connection.

3.3 Fees. Recycled water service shall be provided through a separate service agreement with Water Company. CSI shall incur costs and fees only to the extent that recycled water is utilized. Current rates for recycled water are set forth on Exhibit "G". Water Company shall seek approval from the Public Utilities Commission, and upon such approval, shall provide recycled water to CSI at a rate not greater than 85% of the corresponding Metropolitan Water District of Southern California's untreated full service Tier 1 rate, including any future adjustments thereto.

3.4 Volume and Quality Delivered. IEUA shall supply recycled water through Water Company to CSI pursuant to the terms and conditions of the Regional Contract, and any amount delivered shall be deemed part of the City's base allocation as described therein. The Parties hereto recognize that demand may increase over time and any additional demands shall be subject to recycled water availability and further agreement between the Parties. All recycled water provided by IEUA shall meet the water recycling criteria established by the State Water Resources Control Board - Division of Drinking Water (DDW) in terms of quality and level of treatment required for allowable use and shall be feasibly useable by CSI considering water needs of the plant.

3.5 Recycled Water. Upon completion of the construction of the RWS, IEUA shall make available and Water Company will provide service of a minimum of 550 acre feet per year and CSI may use up to 550 acre feet of recycled water per year. CSI may use and IEUA and Water Company may provide more volume by mutual agreement.

3.6 Capital Costs. CSI shall reimburse the capital costs associated with constructing the RWS, not to exceed a total amount of Three Million, Five Hundred Thousand Dollars (\$3,500,000). If bids for the construction of the RWS exceed the not to exceed price by 20% or more, the Parties shall reopen negotiations on Part III of this Agreement which is concerned with Recycled Water, and IEUA shall have the option to withdraw from Part III of this agreement, but not as to any other Part hereof. CSI shall pay the costs of the recycled water infrastructure situated on CSI property. To the extent available, grant funding may be used to offset the cost of

design and construction of said infrastructure. The amount of grant funding used, if any, to offset CSI capital costs, shall be determined in the sole discretion of IEUA.

3.7 Grant Funding. IEUA shall exercise its best efforts to obtain grant funding from available sources to offset, in part, the cost of design and construction of the RWS. As set forth in section 3.6 of this Agreement, IEUA shall also retain the discretion to utilize grant funding to offset the capital costs associated with constructing recycled water infrastructure situated on CSI property including onsite retrofits for additional recycled water connections at CSI facilities, including the Basin. CSI shall exercise its best efforts in support and cooperation with IEUA to obtain grant funding.

3.8 Non-Reclaimable Waste System. CSI is currently a user of the non-reclaimable wastewater system operated and managed by IEUA. CSI shall receive a credit against its non-reclaimable wastewater user fees at the rate of One Hundred Thirty Dollars (\$130) for each acre foot of recycled water used. The credit shall remain in effect until the 20th anniversary date of the first receipt of recycled water.

IV. GROUNDWATER RECHARGE

4.1 Basin Use. The Parties agree that the issue of Basin use by IEUA shall be reserved for future discussions. The Parties agree to engage in good faith negotiations once the Parties better understand the hydrologic implications of utilizing the Basin for groundwater recharge.

V. TERM

5.1 Term of Agreement. This Agreement shall begin on the date that all Related Contracts are executed by the respective Parties and shall continue for an initial term of Sixty (60) years, after which it will continue unless terminated by either party with five (5) years written notice to the other party.

5.2 Termination. This Agreement may be terminated by either Party upon a material breach by the other Party. A breach of this Agreement will only be considered a material breach after a Party has delivered to the other Party a Notice of Intent to Declare a Material Breach, and the breaching Party has received a reasonable opportunity to cure the breach but has failed or refused to do so within that time. Only the following acts or omissions shall be considered material breaches of the Agreement:

(a) Refusal or continued failure after written requests to take actions necessary to prevent discharge violations;

(b) Refusal to permit IEUA or City inspections;

(c) Refusal or failure after repeated written requests, to pay any sums admittedly due;

(d) Failure by IEUA to provide wastewater services and recycled water services in accordance with this Agreement and the Regional Contract. VI. INSURANCE

6.1 Insurance. Each Party shall provide and maintain General Liability and Property Damage Insurance so as to provide protection and indemnification against any and all such claims or suits in connection with the performance of this Agreement. The Parties shall furnish to each other certificates issued by insurance companies reasonably acceptable to one another showing policies carried and the limits of coverage as follows:

- (a) CSI shall maintain Workers' Compensation Insurance for CSI employees to the extent of statutory limits and Occupational Disease and Employer's Liability Insurance for not less than \$1,000,000.
- (b) CSI shall maintain Commercial General Liability Insurance, including but not limited to Products and Completed Operations and Contractual Liability, as applicable to CSI's obligations under this Agreement with limits not less than:
 - (i) Personal Injury - \$1,000,000 per occurrence, and
 - (ii) Property Damage - \$1,000,000 per occurrence.
- (c) Each Party shall maintain Automobile Liability Insurance with limits not less than:
 - (i) Bodily Injury - \$1,000,000 each accident, and
 - (ii) Property Damage: \$1,000,000 each accident.
- (d) Property Damage Insurance. CSI, shall maintain All Risk Property Damage Insurance in an amount sufficient to cover losses to the Facility. CSI's property insurance shall be primary and noncontributing with any insurance which may be carried by IEUA, and shall afford coverage for all claims related to CSI property.

6.2 Certificates of Insurance. Each Party shall provide certificates of insurance to the other during the Term of this Agreement certifying that such coverages shall remain in effect for the duration of this Agreement; provided, however, that IEUA shall deliver certificates of insurance to CSI during the Term of this Agreement with a satisfactory loss payable endorsement naming CSI as a loss payee, or in the case of any real property, an additional insured, such endorsements to contain a waiver of warranties. All certificates of insurance shall state that prior to cancellation, non-renewal or any material change, thirty (30) Calendar Days written notice shall be given to IEUA. Failure of IEUA to enforce the minimum insurance requirements listed above shall not relieve CSI of responsibility for maintaining these coverages.

6.3 Occurrence Policy. All insurance required hereunder shall provide insurance for occurrences from the Effective Date hereof throughout the later of the Expiration or Termination hereof.

VII. INDEMNITY

7.1 Indemnification by CSI. CSI shall fully indemnify, save harmless and defend IEUA and any of its offices, directors, employees, contractors, and agents from and against any and all costs, claims, and expenses incurred by such parties in connection with or arising from any claim by a third-party for physical damage to or physical destruction of property, or death of or bodily injury to any person, but only to the extent caused by the negligence, gross negligence, or willful misconduct of CSI or its agents or employees or others under the control of CSI in performing any of the conditions and covenants of this Agreement.

7.2 Indemnification by IEUA. IEUA shall fully indemnify, save harmless, and defend CSI or any of its officers, directors, employees, contractors, and agents from and against any and all costs, claims, and expenses incurred by such parties in connection with or arising from any claim by a third-party for physical damage to or physical destruction of property, or death or bodily injury to any person, but only to the extent caused by the negligence, gross negligence, or willful misconduct of IEUA or its agents or employees or others under the control of IEUA in performing any of the conditions and covenants of this Agreement.

VIII. GENERAL PROVISIONS

8.1 Assignment. Except as otherwise expressly set forth herein, no Party may assign their rights, responsibilities, and obligations hereunder without the consent of all other Parties, which shall not be unreasonably withheld or delayed. This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective, permitted successors and assigns.

8.2 Amendments. Except as otherwise provided in this Agreement, this Agreement may only be amended, modified, changed, or rescinded in a writing signed by each of the Parties hereto.

8.3 Interpretation. The provisions of this Agreement should be liberally interpreted to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against any party, as each party has participated in the drafting of this Agreement and had the opportunity to have its counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa. The word "including" means without limitation, and the word "or" is not exclusive. Unless the context otherwise requires, references herein: (i) to Sections and Exhibits mean the Sections of and the Exhibits attached to this Agreement; and (ii) to an agreement, instrument or

other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement.

8.4 Headings. The headings of the Sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

8.5 Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

8.6 Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

8.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

8.8 Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered: (a) in person; or (b) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt; and such notices shall be addressed as follows:

If to IEUA:

Inland Empire Utilities Agency
Attn: General Manager
6075 Kimball Avenue
Chino, CA 91708

If to CSI:

California Steel Industries, Inc.
1 California Steel Way
Fontana, California 92335
Attn: Brett Guge, Executive Vice President, Finance and Administration

If to Water Company:

Fontana Water Company, a division of
San Gabriel Valley Water Company
Attention: President
11142 Garvey Avenue
Post Office Box 6010
El Monte, CA 91734

With a copy to:

T. J. Ryan, Vice President and General Counsel (same address)

If to City:

City of Fontana
Attention: City Manager
8353 Sierra Avenue
Fontana, CA 92335

8.9 Merger of Prior Agreements. This Agreement and the Exhibits hereto constitute the entire agreement between the Parties and supersede all prior agreements and understandings between the Parties relating to the subject matter hereof.

8.10 Attorney's Fees. If any legal action or any arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

8.11 Dispute Resolution. The Parties shall seek to resolve any dispute concerning the interpretation or implementation of this Agreement through good faith negotiation, involving, as and when appropriate, the general manager or chief executive officer of each of the Parties. Any dispute that remains unresolved thirty (30) days after notice of the dispute is made to the Parties, shall be resolved by a single arbitrator with substantial experience in the matter or matters in dispute, conducted in accordance with Judicial Arbitration and Mediation Services (JAMS). If the Parties cannot agree on a single arbitrator within ten (10) days of the written election to submit the matter to arbitration, any Party may request JAMS to appoint a single, neutral arbitrator. The Parties shall use their reasonable best efforts to have the arbitration proceeding concluded within ninety (90) business days of selection of the arbitrator. Arbitration shall be conducted pursuant to the provisions of California *Code of Civil Procedure*, Sections 1280, et seq. In rendering the award, the arbitrator shall determine the rights and obligations of the Parties according to the substantive and procedural laws of California. All discovery shall be governed by the California *Code of Civil Procedure*. The arbitrator may establish other discovery limitations or rules.

8.12 Cooperation. The Parties acknowledge that they are entering into a long-term arrangement in which the cooperation of all of them will be required, including the execution of necessary documents. The Parties agree to cooperate in good faith with each other in the development, construction, ownership, operation, and maintenance of the Facilities which are described in this Agreement and that the Parties will support IEUA in the planning and implementation of the construction of the Temporary System, Permanent System, and other

reasonably required site improvements on property owned by CSI to the extent necessary to achieve performance of the terms and conditions of this Agreement. The Parties agree to cooperate in good faith with Water Company in its implementation of recycled water service at CSI's property, including support of Water Company's efforts to obtain PUC approvals necessary to implement this Agreement.

8.13 Independent Contractors. The Parties agree that they are independent contractors and shall be at all times solely responsible for themselves, as well as their respective officers, directors, members, partners, employees, agents, and contractors as to workmanship, accidents, injuries, wages, supervision and control. This Agreement may not be altered in any manner so as to change the relationship or responsibilities of the Parties as independent contractors.

8.14 Third-Party Beneficiaries. Except as otherwise expressly provided herein, this Agreement is for the sole benefit of the Parties hereto, and nothing in this Agreement or any action taken hereunder shall be construed to create any duty, liability, or standard of care to any Person not a Party to this Agreement. Except as specifically otherwise provided herein, no Person shall have any rights or interest, direct or indirect in this Agreement.

8.15 Savings Clause. Each term and condition of this Agreement is deemed to have independent effect and the invalidity of any partial or whole paragraph shall not invalidate the remaining paragraphs. The obligation to perform all of the terms and conditions of this Agreement shall remain in effect regardless of the performance of any invalid term by the other Party.

The effective date of this Agreement is the date of execution by the last party to sign (the "Effective Date").

"IEUA"

INLAND EMPIRE UTILITIES AGENCY,
a California Municipal Water District

By: _____

Name:

Its: Chief Executive Officer

"Approved as to Form:"

Jean Cihigoyenette, Esq.
General Counsel

"CSI"

CALIFORNIA STEEL INDUSTRIES, INC.

By: _____

Name:

Its: _____

"Approved as to Form:"

James L. Markman

Attorney for California Steel Industries, Inc.

"City"

CITY OF FONTANA

By: _____

Name:

Name: _____

Its: _____

"Approved as to Form:"

Print Name:

Attorney for City of Fontana

"Water Company"

FONTANA WATER COMPANY

By: _____

Name:

Name: _____

Its: _____

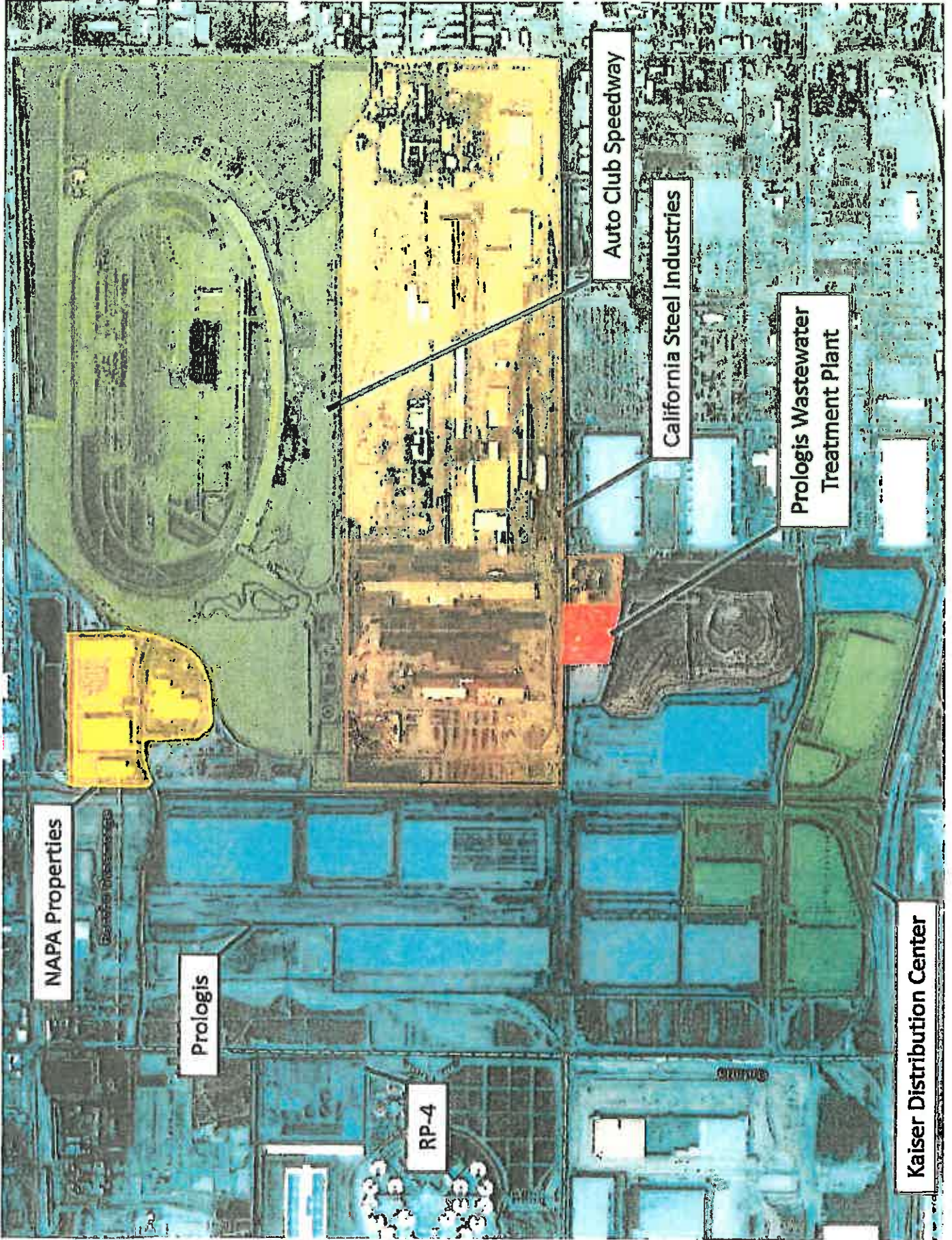
"Approved as to Form:"

Print Name:

Attorney for Fontana Water Company

EXHIBIT "A"

PROJECT PROPERTIES



NAPA Properties

Prologis

RP-4

Auto Club Speedway

California Steel Industries

Prologis Wastewater Treatment Plant

Kaiser Distribution Center

EXHIBIT "B"

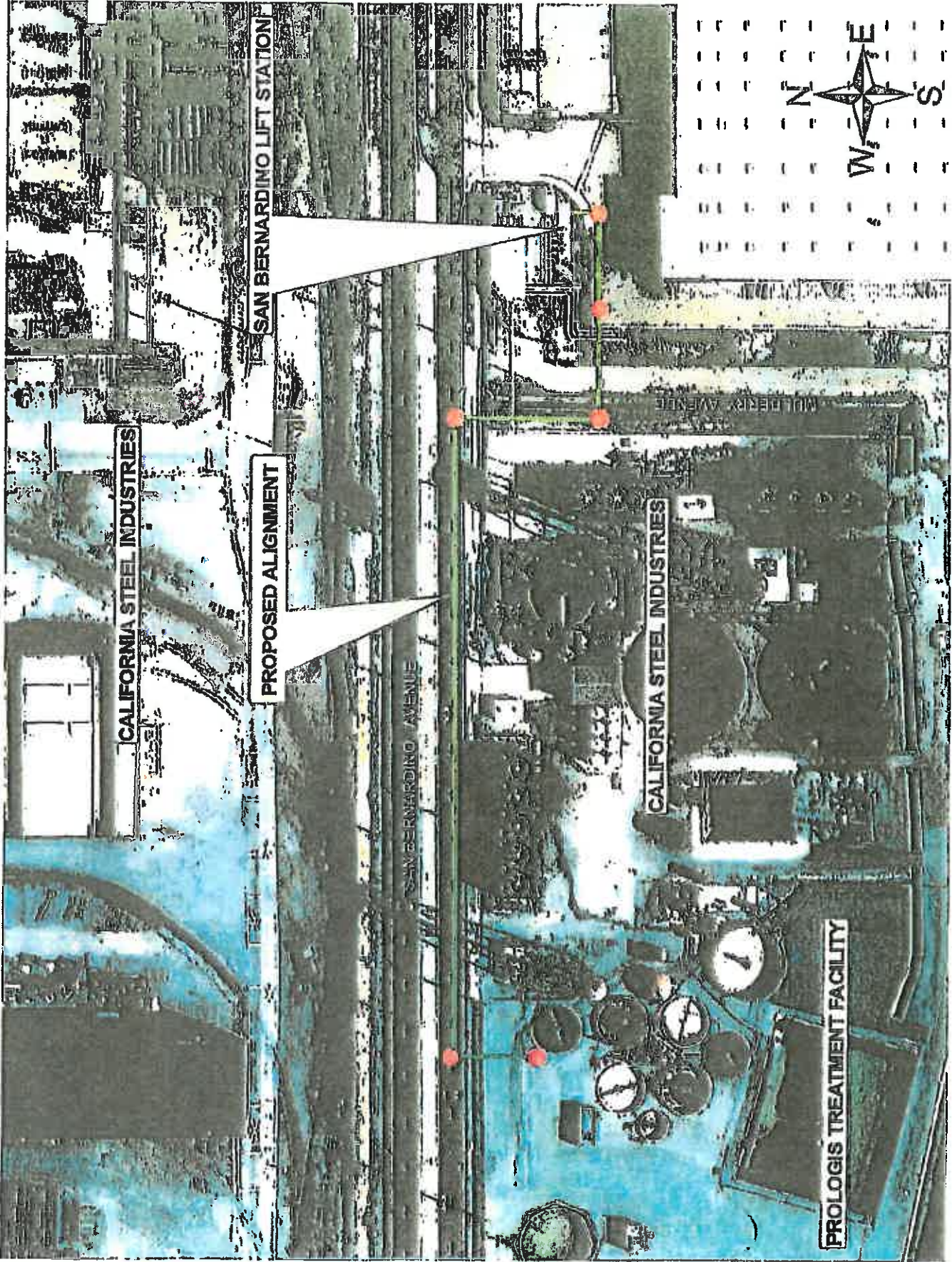
LIFT STATION



Lift Station

EXHIBIT "C"

PERMANENT WASTEWATER SYSTEM



CALIFORNIA STEEL INDUSTRIES

PROPOSED ALIGNMENT

SAN BERNARDINO LIFT STATION

SAN BERNARDINO AVENUE

CALIFORNIA STEEL INDUSTRIES

PROLOGIS TREATMENT FACILITY

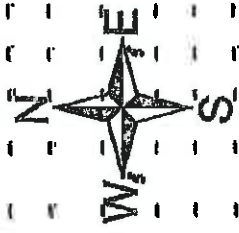


EXHIBIT "D"

DEPICTION OF RECYCLED WATER SYSTEM

Key

- Existing Pipelines
- Proposed Pipelines
- Potential Pipelines

Proposed Recycled Water
Connection to Speedway

Proposed Recycled Water
Connection to CSI

CSI Basin

RP-4

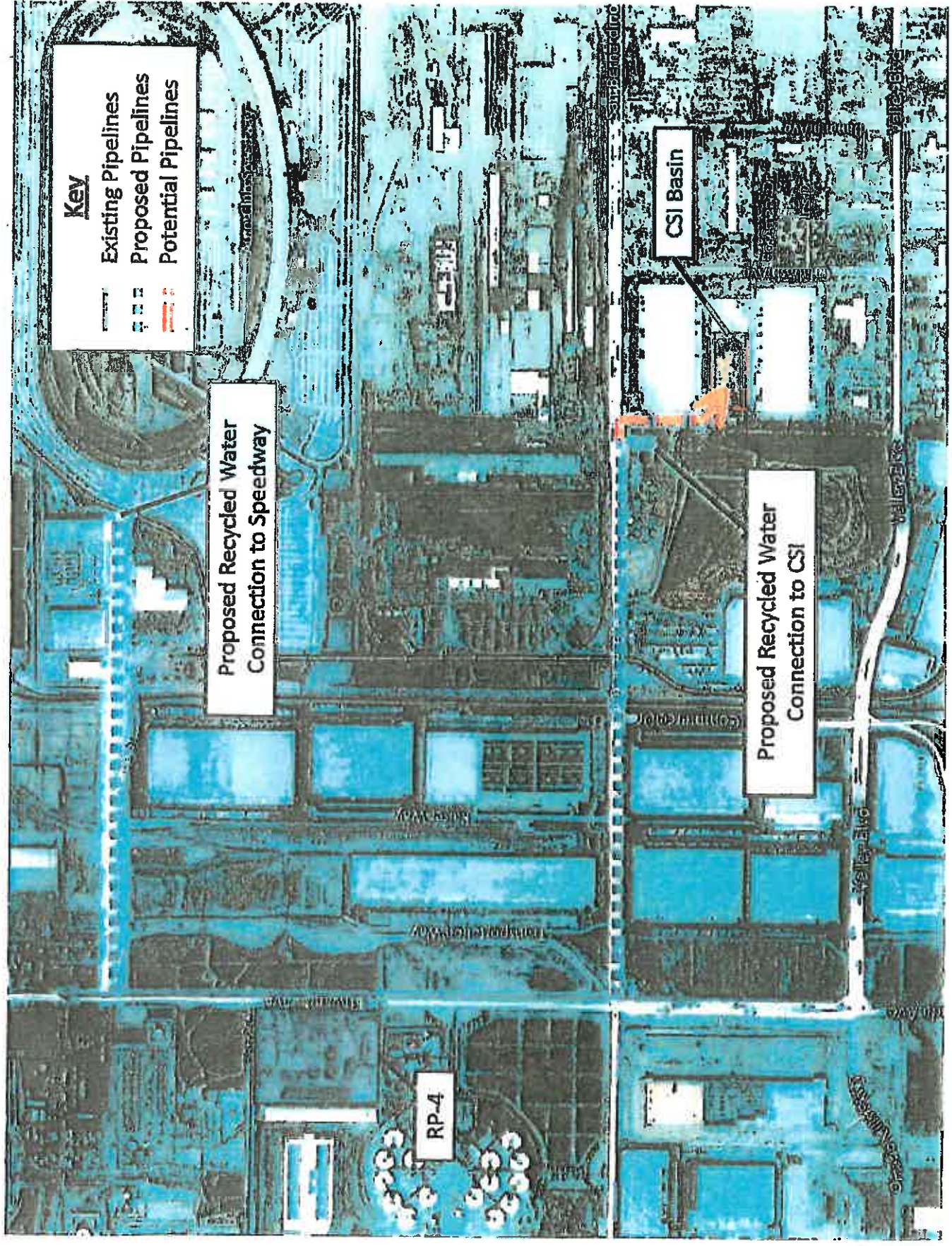
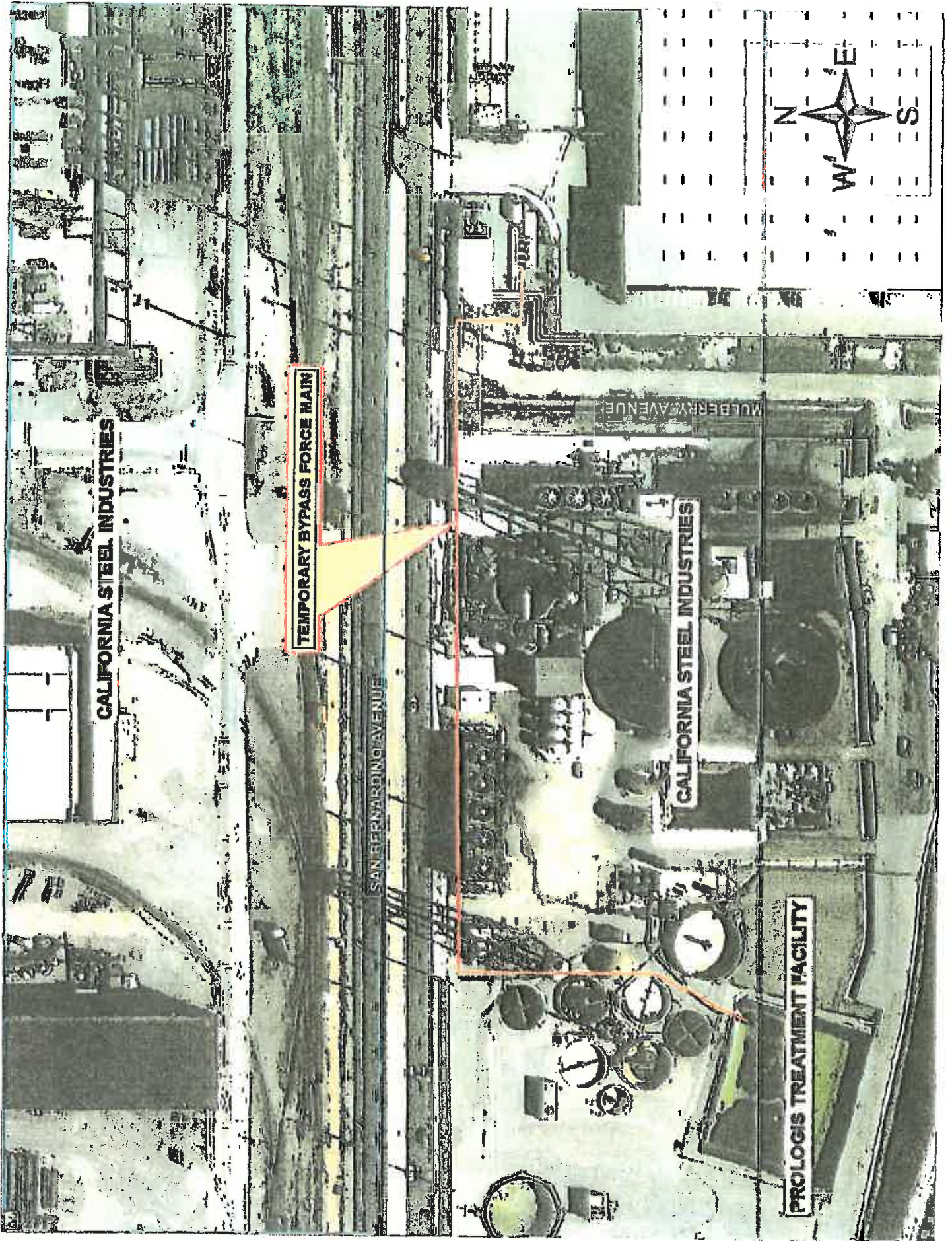


EXHIBIT "E"

TEMPORARY WASTEWATER SYSTEM



CALIFORNIA STEEL INDUSTRIES

TEMPORARY BYPASS FORCE MAIN

SAN BERNARDINO AVENUE

MULBERRY AVENUE

CALIFORNIA STEEL INDUSTRIES

PROLOGIS TREATMENT FACILITY



EXHIBIT "F"

CURRENT INVENTORY OF EDU'S

FIXTURE UNIT WORKSHEET

SUMMARY & NEW ADDITIONAL FIXTURES - RESTROOMS, MEDICAL OFFICE									
PLUMBING APPLIANCE / FIXTURE	PRIVATE			PUBLIC			ASSEMBLY		
	QTY	F.U.	SUB	QTY	F.U.	SUB	QTY	F.U.	SUB
Bathtub or Combo Bath/Shower	X	2 =	0	0	X	2 =	0		
Clothes Washer	X	3 =	0	1	X	3 =	3	X	3 =
Dental Units/ Cuspidor			0	0	X	1 =	0	X	1 =
Dishwasher - Domestic	X	2 =	0	14	X	2 =	28	X	2 =
Dishwasher - Commercial			0	0	X	=	0	X	=
Drinking Fountain (Per Head)	X	1 =	0	4	X	0.5 =	2	X	1 =
Floor Drain (2")	X	2 =	0	149	X	2 =	298	X	2 =
Shower - Single Head	X	2 =	0	68	X	2 =	136	X	2 =
Shower - Multiple Head, each additional	X	1 =	0	0	X	1 =	0	X	1 =
Sink - Bar	X	1 =	0	0	X	2 =	0	X	2 =
Sink - Commercial (Other than Lavatory)				0	X	3 =	0	X	3 =
Sink - Floor (Indirect waste. See footnote 1&2)				0	X	=	0	X	=
Sink - Floor (Condensate / Low Flow)				0	X	1 =	0	X	1 =
Sink - Laundry	X	2 =	0	0	X	2 =	0	X	2 =
Sink - Wash Fountain (2")			0	0	X	3 =	0	X	3 =
Sink - Hand wash / Lavatory	X	1 =	0	221	X	1 =	221	X	1 =
Sink - Service or Mop Sink				37	X	3 =	111	X	3 =
Sink- Service, Flushing rim				0	X	6 =	0	X	6 =
Sink - Shampoo				0	X	2 =	0	X	2 =
Urinal, 1.0 GPF	X	2 =	0	155	X	2 =	310	X	5 =
Water Closet, 1.6 GPF	X	3 =	0	304	X	4 =	1216	X	6 =
	X	=	0	0	X	=	0	X	=
	X	=	0	0	X	=	0	X	=
	X	=	0	0	X	=	0	X	=
Sub Total:			0.0	Sub Total:			2325.0	Sub Total:	0.0
Total New / Additional Fixtures:							2325.0		
Total New / Addit			2325.0						
Existing Fixtures to be Removed:			0.0						
TOTAL NET NEW / ADDITI			2325.0	X	SEWAGE FACTOR	0.0741	=	172.28	EDU'S
						<small>(0.0000)</small>			

Ref: 2007 California Plumbing Code, Table 7-3

1. Indirect waste receptors shall be sized based on the total drainage capacity of the fixtures that drain therein to, in accordance with table 7-4
2. For Commercial sinks, dishwashers and similar moderate or heavy demands.

FIXTURE UNIT WORKSHEET

SUMMARY & NEW ADDITIONAL FIXTURES CAFETERIA									
PLUMBING APPLIANCE / FIXTURE	PRIVATE			PUBLIC			ASSEMBLY		
	QTY	F.U.	SUB	QTY	F.U.	SUB	QTY	F.U.	SUB
Bathub or Combo Bath/Shower	x	2 =	0	x	2 =	0			
Clothes Washer	x	3 =	0	x	3 =	0	x	3 =	0
Dental Units/ Cuspldor			0	x	1 =	0	x	1 =	0
Dishwasher - Domestic	x	2 =	0	x	2 =	0	x	2 =	0
Dishwasher - Commercial			0	x	=	0	x	=	0
Drinking Fountain (Per Head)	x	1 =	0	x	0.5 =	0	x	1 =	0
Floor Drain (2")	x	2 =	0	3 x	2 =	6	x	2 =	0
Shower - Single Head	x	2 =	0	1 x	2 =	2	x	2 =	0
Shower - Multiple Head, each additional	x	1 =	0	x	1 =	0	x	1 =	0
Sink - Bar	x	1 =	0	x	2 =	0	x	2 =	0
Sink - Commercial (Other than Lavatory)				x	3 =	0	x	3 =	0
Sink - Floor (Indirect waste. See footnote 1**)				x	=	0	x	=	0
Sink - Floor (Condensate / Low Flow)				x	1 =	0	x	1 =	0
Sink - Laundry	x	2 =	0	x	2 =	0	x	2 =	0
Sink - Wash Fountain (2")			0	x	3 =	0	x	3 =	0
Sink - Hand wash / Lavatory	x	1 =	0	7 x	1 =	7	x	1 =	0
Sink - Service or Mop Sink				x	3 =	0	x	3 =	0
Sink- Service, Flushing rim				x	6 =	0	x	6 =	0
Sink - Shampoo				x	2 =	0	x	2 =	0
Urinal, 1.0 GPF	x	2 =	0	3 x	2 =	6	x	5 =	0
Water Closet, 1.6 GPF	x	3 =	0	6 x	4 =	24	x	6 =	0
	x	=	0	x	=	0	x	=	0
	x	=	0	x	=	0	x	=	0
	x	=	0	x	=	0	x	=	0
Sub Total:			0.0	Sub Total:		45.0	Sub Total:		0.0
Total New / Additional Fixtures:									45.0
Total New / Addit			45.0	Existing Fixtures to be Removed:			0.0		
TOTAL NET NEW / ADDITI			45.0	x	SEWAGE FACTOR	0.1780	=	8.01	EDU'S
									(0.0000)

Ref: 2007 California Plumbing Code, Table 7-3

1. Indirect waste receptors shall be sized based on the total drainage capacity of the fixtures that drain therein to, in accordance with table 7-4

2. For Commercial sinks, dishwashers and similar moderate or heavy demands.

EXHIBIT "G"

CURRENT RATES

Current Rates*

Wastewater Connection Fee

\$5,107/EDU (one-time); Parties acknowledge that the City of Fontana connection fee has been waived or eliminated

Monthly Wastewater User Fee

County Area

\$37.79/EDU/month

Recycled Water Rate Basis

CSI/Speedway: 85% of MWD Bundled Untreated Tier 1

Metropolitan Water District of Southern California

Tier 1 Untreated (effective 1/1/2014) = \$593/AF

Fontana Water Company

RW rate indexed on current MWD rate = \$504/AF

Prologis: Recycled Water Metered Service

Fontana Water Company

Schedule No. FO-6 = \$2.0394/100 cu.ft.

***All rates are subject to Board/Council approved changes (typically evaluated on an annual basis based on public input). Values are in effect as of 7/1/14 unless otherwise noted.**

EDU = Equivalent Dwelling Unit

EXHIBIT "H"
REGIONAL CONTRACT

***Chino Basin
Regional Sewage Service Contract
With Exhibits
(As Amended October 19, 1994)***

Also included:

***Regional Pretreatment Agreement
Regional Wastewater Ordinance
(CBMWD Ord. No. 57)
Wastewater Quality Limitations Applicable to
Contracting Agencies***

Attachment #2
Speedway Agreement

AGREEMENT FOR THE PROVISION OF SEWER AND RECYCLED WATER SERVICE

This Agreement is entered into this, the ____ day of _____, 2015 (“Effective Date”), by and between Inland Empire Utilities Agency, a Municipal Water District; City of Fontana; Fontana Water Company; and California Speedway Corporation d/b/a Auto Club Speedway (“Speedway”).

RECITALS

WHEREAS, Inland Empire Utilities Agency is a Municipal Water District organized and existing pursuant to Section 71000, et seq. of the California *Water Code* and is authorized to provide wastewater treatment and recycled water services to property owned, operated, managed, and controlled by Speedway; and

WHEREAS, The City of Fontana is a general law city located within the County of San Bernardino, State of California; and

WHEREAS, Fontana Water Company, a division of San Gabriel Valley Water Company, a California corporation, is a public utility water company subject to regulatory jurisdiction of the California Public Utilities Commission (“PUC”) doing business in the County of San Bernardino, with its principal place of business being 15966 Arrow Route, Fontana, California; and is authorized to provide public utility water service, including service of recycled water, to its customers, such as Speedway’s property, which are located within its service area as authorized and approved by the PUC; and

WHEREAS, Speedway owns, operates, manages, and controls certain real property within the County of San Bernardino, State of California, which property is more commonly identified as the Auto Club Speedway of Southern California and

NOW THEREFORE, the Parties hereto agree as follows:

I. DEFINITIONS

- 1.1 “Capital Costs” shall mean all actual, out of pocket costs incurred by IEUA for the design, engineering, construction, permitting and all other similar third party costs of constructing the Temporary System, Permanent System and Recycled Water System.
- 1.2 “City” shall mean the City of Fontana.
- 1.3 “Connection Point” shall mean that location where the Temporary System and Permanent System are connected to the Lift Station (see 1.6 below).

1.4 "CSF" shall mean California Steel Industries.

1.5 "IEUA" shall mean the Inland Empire Utilities Agency, a Municipal Water District.

1.6 "Lift Station" shall mean that lift station facility owned by IEUA located on San Bernardino Avenue and depicted on Exhibit "A" of this Agreement.

1.7 "NAPA Properties" shall mean those four properties which are identified by the following San Bernardino County Assessor's Parcel Numbers: 0229-291-039-0000, 0229-291-034-0000, 0229-291-040-0000, and 0229-291-031-0000, and which are understood to be currently owned, respectively, by Triple-S California Logistics LLC, a Texas limited liability company ("Triple-S"); Maas-Hansen Steel Corporation, a California corporation ("Maas"); McLeod Properties, Fontana LLC, a California limited liability company and Budway Enterprises, Inc., a California corporation (collectively, "McLeod"), and West Valley MRF, LLC, a California limited liability company ("MRF").

1.8 "Party" or "Parties" shall mean an entity, individually, or the entities, collectively, that are bound by and have executed this Agreement.

1.9 "Permanent System" shall mean that certain gravity sewer pipe for the transmission of wastewater to be designed and constructed by IEUA from the point of connection on the Sewer Property up to the point of connection to the IEUA Lift Station, and as depicted on Exhibit "B" of this Agreement. Sewer Property is that property owned by POLP and more commonly identified as Parcel 8 of Parcel Map 15640 recorded in San Bernardino Official Records, Book 207, Pages 26-30.

1.10 "Prologis" shall mean PAC Operating Limited Partnership and CCG Ontario Operations, LLC collectively.

1.11 "Pumping Rights" shall mean those rights owned by Speedway to pump and use up to 475 acre feet of water per year from Chino Basin Management Zone 3 as more thoroughly described in the water rights agreement between CCG Ontario Operations, LLC and Speedway as successors-in-interest to Kaiser Ventures and Speedway Development Corporation respectively.

1.12 "PWWTP" shall mean the Prologis Wastewater Treatment Plant.

1.13 "Regional Contract" shall mean the Chino Basin Regional Sewerage Service Contract with Exhibits (as amended October 19, 1994) as amended from time to time.

1.14 "Related Contracts" shall mean the following contracts: (a) this , (b) the Agreement for the Provision of Recycled Water and Sewer Service between IEUA, the City, the Water Company (defined below) and CSI dated substantially concurrently herewith, and (c) the Agreement for the Provision of Sewer Service between IEUA, the City, the Water Company, and Prologis (defined below) dated substantially concurrently herewith, all of which are for the provision of temporary wastewater services, permanent wastewater services, and/or recycled water services.

1.15 "RWS" shall mean that infrastructure designed, constructed, maintained, and controlled by IEUA to provide recycled water service to Speedway connections, as depicted on Exhibit "C" attached hereto.

1.16 "Speedway" shall mean California Speedway Corporation dba Auto Club Speedway.

1.17 "Storage Account" shall mean the account established by Speedway through Watermaster, containing unused Pumping Rights held exclusively for the benefit of IEUA.

1.18 "Temporary System" shall mean that certain above-ground piping for wastewater transmission to be designed and constructed by IEUA and operated and maintained by POLP from the point of connection on the Sewer Property up to the point of connection to the IEUA Lift Station, and as depicted on Exhibit "D" of this Agreement, which shall remain in service from the date of its completion until such time as the Permanent System is completed and accepting wastewater flows. By separate agreement with IEUA, CSI shall maintain that portion of the Temporary System located on its property.

1.19 "Third-Party Properties" shall mean all of those properties located within the Kaiser Distribution Center industrial park which park is depicted on Exhibit "E" attached hereto, and/or which includes, but is not limited to, those parcels which are understood to be currently owned by Watson Land Company, the Estate of James Campbell, the David F. Bolger Sixth Amended and Restated Revocable Trust, the Appel Family Trust, BNSF, and various entities which are affiliated with POLP, or other entities which have not yet developed their parcels within the park.

1.20 "Water Company" shall mean the Fontana Water Company.

1.21 "Watermaster" shall mean the Chino Basin Watermaster.

II. WASTEWATER SERVICES

2.1 Temporary System. Within ninety (90) days of the execution of Related Contracts by IEUA, Prologis, CSI, Speedway, Water Company, and City, IEUA shall design and construct

the Temporary System which shall divert all flows currently treated at the PWWTP to IEUA's Lift Station. The Temporary System will be constructed above-ground and located as depicted in Exhibit "D" attached hereto. IEUA and the Speedway shall cooperate with each other to support IEUA in the planning and implementation of the construction of the Temporary System and other reasonably required site improvements on Speedway property necessary to implement the Temporary System.

2.2 Service Date. Upon completion of the Temporary System, IEUA will begin accepting all untreated wastewater flows diverted from the PWWTP.

2.3 Operation and Maintenance. Prologis and CSI, by separate agreement, will operate and maintain the Temporary System from the location of the PWWTP to the IEUA Lift Station until such time as the Permanent System is operational so that it is accepting all flows of untreated wastewater from Prologis and all current users of the PWWTP. At such time, the Temporary System will be dismantled by IEUA

2.4 Permanent System. IEUA shall design and cause to be constructed all infrastructure necessary to create the Permanent System to divert all wastewater flows from the PWWTP to the Lift Station as depicted in Exhibit "B" attached hereto. The Permanent System will replace the Temporary System.

2.5 Capital Cost. The Capital Cost shall be allocated equally between Prologis, CSI, and Speedway up to a total amount of Three Hundred Thousand Dollars (\$300,000) each. If bids for the construction of the Permanent System exceed the not to exceed cost stated above, the Parties shall reopen negotiations and shall have the option to withdraw from this Agreement. The reimbursable Capital Costs shall be paid within thirty (30) days of acceptance of the Permanent System as complete by the Board of Directors of IEUA. The Capital Costs that are allocated to Speedway shall be paid only as provided in Section 4.1 of this Agreement although Speedway may, at its sole discretion, utilize the alternative method of payment described in Section 5.1 of this Agreement. Speedway shall not have any responsibility for the failure of CSI or Prologis to timely pay their respective share of the Capital Costs.

2.6 Operation and Maintenance. Speedway shall own, operate, manage, control, inspect, maintain, and repair those permanent sewer infrastructure facilities located on Speedway properties up to the point of connection to the Permanent System as depicted on Exhibit "B". IEUA shall own, operate, manage, control, inspect maintain and repair those permanent sewer infrastructure facilities located in the public right of way. In the event of the sale of all or part of its properties, it shall be incumbent upon Speedway to assign to its successor-in-interest, the ownership and obligation for operation, management, control, inspection, maintenance, repair, and replacement of the sewer infrastructure associated with the sold property. In the absence of any such assignment, Speedway shall remain responsible for all said infrastructure. IEUA shall

have no responsibility for the operation or maintenance of existing or future systems located on Speedway property or to any successors-in-interest to Speedway.

2.7 Transition of Service. Speedway and IEUA shall cooperate with each other in the transition of wastewater treatment services from the PWWTP to the Permanent System. Not more than sixty (60) days prior to such transition, IEUA shall submit a schedule prepared in coordination with CSI, Prologis, and Speedway proposing the acts required of each Party, and the timing thereof, to accomplish the transition. Upon approval by CSI, Prologis, and Speedway, the schedule shall be implemented with the costs associated with the transition activities described in this Section 2.7 shall be borne by the Party incurring the expense.

2.8 Waste Regulation. The Temporary and Permanent Systems are to be used for domestic waste only of a nature materially similar to the waste water that the Speedway is sending to the PWWTP as of the Effective Date. Speedway shall ensure that its use of the Temporary System and Permanent System will be in compliance with all applicable laws, ordinances, and regulations, including those contained in the Regional Contract as set forth in Exhibit "G" attached hereto. IEUA shall be responsible for the administration of the pretreatment program with CSI, Speedway, Prologis, NAPA Properties and Third Party Properties.

2.9 Connection Fees. Speedway shall owe IEUA for all connection fees associated with connecting its property to the Permanent System in the amount prescribed by the Regional Contract. Speedway shall pay such connection fees to IEUA as provided in Section 4.1 of this Agreement. Speedway may, at its sole discretion, utilize an alternative method of payment as described in Section 5.1 of this Agreement. Speedway shall report any future fixture unit additions to IEUA and City and shall pay applicable connection fees in accordance with the applicable terms and conditions of the Regional Contract. The current rates are set forth in Exhibit "F" attached hereto and are subject to change by action of the Board of Directors of IEUA.

2.10 Valuation of Costs and Fees. If Speedway elects to pay Capital Costs and connection fees by cash payment as provided in Section 5.1 of this agreement, then Speedway shall pay the actual cost incurred for Capital Costs as set forth in section 2.5 of this Agreement and connection fees estimated to be an additional Three Million Dollars (\$3,000,000). If Speedway elects to pay Capital Costs and connection fees through assignment of Pumping Rights as provided in Section 4.1 of this agreement, the total value thereof shall be equal to fifty percent (50%) of the volume of the Pumping Rights.

2.11 User Fees. Speedway shall pay monthly wastewater user fees as billed by City in accordance with the rate structure established by City for such services for similarly situated outside of City users. Speedway shall provide site water use data to City as required to complete the monthly wastewater billing. User fees shall be assessed from the date that IEUA begins

accepting untreated wastewater flows into the Temporary System.. The current rates are set forth in Exhibit "F" and are subject to change by action of the City's City Council.

2.12 Failure to Perform. In the event that IEUA fails to perform any of the services contemplated in Section II within two years of the effective date of this Agreement^[PC1], then Speedway shall have the right to terminate this Agreement. Provided, however, that the Speedway must first deliver to the IEUA a Notice of Intent to Terminate, and the IEUA shall have a reasonable opportunity (which shall not exceed sixty [60] days) to perform the obligation.

III. RECYCLED WATER

3.1 Design and Construction. IEUA shall design and cause to be constructed the RWS as depicted in Exhibit "C" which shall serve recycled water to Speedway for industrial and irrigation use. Through separate agreement with Speedway, IEUA may also design and assist in the construction of recycled water infrastructure on Speedway property. The RWS shall be constructed only if Water Company obtains Public Utilities Commission approval of recycled water rates as provided in Section 3.3 of this Agreement, and shall be deemed completed upon acceptance of the project by IEUA's Board of Directors. The City agrees to cooperate and support the development of the RWS infrastructure, which would enable IEUA to comply with the provisions of this Agreement.

3.2 Ownership, Operation, and Maintenance. IEUA shall own, operate, inspect, manage, maintain, and repair the RWS depicted in Exhibit "C" up to the point of connection at Speedway. Said RWS shall be deemed a constituent of IEUA's overall recycled water system. Speedway shall own, operate, inspect, manage, maintain and repair recycled water infrastructure up to the point of connection to the RWS. Water Company shall own, operate, inspect, manage, maintain, repair, and read the water meters at each such point of connection.

3.3 Fees. Recycled water service shall be provided through a separate service agreement with Water Company. Speedway shall incur costs and fees only to the extent that recycled water is utilized and then only as set forth in this Section 3.3. Current rates for recycled water are set forth in Exhibit "F" but are subject to change by action of Water Company with approval of the Public Utilities Commission. Water Company shall exercise its best efforts to seek pricing approval from the Public Utilities Commission and upon such approval, shall provide recycled water to Speedway at a rate of no more than 85% of the corresponding Metropolitan Water District of Southern California's full service untreated Tier 1 rate, including any future adjustments thereto.

3.4 Quantity and Quality Delivered. IEUA shall supply recycled water through Water Company for use at Speedway pursuant to the terms and conditions of the Regional Contract, and any amount delivered shall be deemed part of the City's base entitlement as

described therein. It is expected that the annual use of recycled water by Speedway will be 450 acre feet. The Parties hereto recognize that demand may increase over time and any additional demands shall be subject to recycled water availability and further agreement between the Parties. All recycled water provided by IEUA shall meet the water recycling criteria established by the State Water Resources Control Board – Division of Drinking Water in terms of quality and level of treatment required for allowable use. In the event that the IEUA does not supply enough recycled water to meet the Speedway's needs, for any reason, then the Speedway shall be entitled, without any penalty, to utilize any water available to the Speedway in order to do so, including the portion of the Pumping Rights allocated to recycled water capital costs as outlined in Section 3.6 of this Agreement. Use of recycled water is deemed a priority use.

3.5 Irrigation System. Within thirty (30) days of completion of the RWS, Speedway, at its sole expense, shall convert its entire irrigation system to use primarily recycled water provided the IEUA and Water Company is able to supply adequate recycled water.

3.6 Capital Costs. Speedway shall pay the Capital Costs associated with constructing the RWS as provided in Section 4.1 of this Agreement and shall be solely responsible for the recycled water infrastructure up to the point of connection to the RWS. If, in its sole discretion, the Speedway elects to pay Capital Costs by cash payment as provided in Section 5.1 of this Agreement, then Speedway shall pay the actual cost incurred for Capital Costs estimated to be Three Million Dollars (\$3,000,000). If Speedway elects to pay Capital Costs through assignment of Pumping Rights as provided in Section 4.1 of this Agreement, the total thereof shall be equal to fifty percent (50%) of the volume of the Pumping Rights.

3.7 Failure to Perform. Until IEUA completely performs all of the services contemplated in Section III, Speedway shall be excused from performance obligations set forth in Section III and Section 4.1 herein as to those obligations not performed by IEUA. Speedway will be obligated to compensate IEUA for those obligations that are performed by IEUA in compliance with the provisions of this Agreement. If IEUA fails to completely perform its obligations set forth in this Section III within two (2) years of the completion date of the Permanent System, then Speedway shall have the right to terminate Section III and Section 4.1 of this Agreement provided, however, that the Speedway must (i) deliver to the IEUA a Notice of Intent to Terminate Section III, and the IEUA has a reasonable opportunity (which shall not exceed sixty [60] days) to perform the obligation and (ii) Speedway shall be responsible for its portion of the Capital Costs and connection fees of the Permanent System, which Speedway may pay out pro rata over a ten (10) year time frame.

IV. PAYMENT THROUGH ASSIGNMENT OF PUMPING RIGHTS

4.1 Assignment of Pumping Rights. Speedway will assign its Pumping Rights to IEUA as full consideration for all Capital Costs and connection costs related to the design and

construction of the Temporary System, the Permanent System and the RWS. The assignment shall have a term of sixty (60) years and shall be allocated as follows:

Years one (1) through forty (40) – 450 acre feet per year

Years forty-one (41) through fifty (50) – 300 acre feet per year

Years fifty-one (51) through sixty (60) – 150 acre feet per year

IEUA shall be entitled to utilize Pumping Rights as determined in its sole discretion, subject only to Watermaster oversight and approval. The assigned pumping rights shall be free, clear, and exclusive of the rights of all others who claim an interest therein. Subject to the terms herein, this assignment shall survive and be effective despite the sale of Speedway property, lease of Speedway property or cessation of business.

4.2 Storage of Pumping Rights. If, at any time and for any reason, IEUA is precluded from or elects not to exercise its assignment or use of Pumping Rights, in whole or in part, then all unused Pumping Rights shall be accumulated by Speedway in the Storage Account for later IEUA use. Speedway shall report to IEUA annually with respect to the amount of Pumping Rights held in the Storage Account. Once each year, IEUA shall have the right to audit the Storage Account subject to reasonable notice to Speedway. The Storage Account shall be subject to losses normally assessed to Overlying (Non-Agricultural) Pool storage accounts by Watermaster.

4.3 Assignment of Stored Water. IEUA shall retain sole discretion over the assignment of Pumping Rights held in the Storage Account, however, any assignment shall be subject to Watermaster oversight. The assignment of Pumping Rights shall be subject to the provisions of the Restated Judgment and other Watermaster documents as applicable, in the case of *Chino Basin Municipal Water District v. City of Chino*, Case No. RCV 51010, as implemented by Watermaster. Speedway shall cooperate and shall perform all acts reasonably required of it by IEUA, Watermaster or others to complete any assignment of water held in the Storage Account, at no cost to IEUA.

4.4 Condition Precedent. The assignment of Pumping Rights described herein shall be conditioned upon reaching an agreement with Prologis whereby Prologis agrees to the assignment, and waives and releases any interest they may have in the Pumping Rights.

4.5 Grant Funding. IEUA shall exercise its best efforts to obtain grant funding from available sources to offset, in part, the cost of design and construction of the RWS. As set forth in Section 3.6 of this Agreement, IEUA shall also retain the discretion to utilize grant funding to offset the capital costs associated with constructing recycled water infrastructure situated on Speedway property, including onsite retrofits for additional recycled water connections at Speedway facilities. Speedway shall exercise its best efforts in support and cooperation with

IEUA to obtain grant funding. In the event that the IEUA secures any grant funding, then Speedway's amount due for capital costs and connection fees shall be reduced by the amount of the grant funding proportionally allocated to Speedway in an amount determined by IEUA in the exercise of reasonable discretion.

V. ALTERNATIVE PAYMENT

5.1 Lump Sum Payment. Speedway shall have the option, at its sole discretion, to pay its share of any Capital Costs and connection fees for both wastewater and recycled water systems that is still due at the time of payment in one lump sum payment in lieu of continuing to assign pumping rights as set forth in Section 4.1 of this Agreement. Capital Costs shall not include grant funding. The IEUA's claims for Capital Costs and connection fees shall be supported by documentation to the Speedway's satisfaction establishing the amount claimed was incurred and was reasonable and necessary.

In the event that the Speedway exercises its right under Section 5.1, any and all value derived from the sale or banking of water (at the value set forth by the Metropolitan Water District full service untreated Tier 1 water value) recovered through the exercise of Pumping Rights shall offset, in like amount, capital costs and connection fees owed to IEUA by Speedway.

VI. TERM

6.1 Term of Agreement. This Agreement shall begin on the date that all Related Contracts are executed by the respective Parties and shall continue for a term of sixty (60) years whereupon the sewer services and recycled water services shall continue to be provided by IEUA and Water Company, respectively, under terms and conditions then applicable to persons and/or entities similarly situated to Speedway.

6.2 Termination. This Agreement may be terminated by either Party upon a material breach by the other Party. A breach of this Agreement will only be considered a material breach after a Party has delivered to the other Party a Notice of Intent to Declare a Material Breach, and the breaching Party has received a reasonable opportunity to cure the breach but has failed or refused to do so within that time.

VII. INSURANCE

7.1 Insurance. Each Party shall provide insurance so as to provide protection as described in this Agreement. The Parties shall furnish to each other certificates issued by insurance companies reasonably acceptable to one another showing policies carried and the limits of coverage as follows:

- (a) Speedway and IEUA shall maintain Workers' Compensation Insurance for their respective employees to the extent of statutory limits and Occupational Disease and Employer's Liability Insurance for not less than \$1,000,000.
- (b) Speedway and IEUA shall maintain Commercial General Liability Insurance, including but not limited to Products and Completed Operations and Contractual Liability, as applicable to their obligations under this Agreement with limits not less than:
 - (i) Personal Injury - \$1,000,000 per occurrence; and
 - (ii) Property Damage - \$1,000,000 per occurrence.
- (c) Each Party shall maintain Automobile Liability Insurance with limits not less than:
 - (i) Bodily Injury - \$1,000,000 each accident; and
 - (ii) Property Damage - \$1,000,000 each accident.

7.2 Certificates of Insurance. Each Party shall provide certificates of insurance to the other during the term of this Agreement certifying that such coverages shall remain in effect for the duration of this Agreement; provided, however, that IEUA shall deliver certificates of insurance to Speedway during the term of this Agreement with a satisfactory loss payable endorsement naming Speedway as a loss payee, or in the case of any real property, an additional insured, such endorsements to contain a waiver of warranties. All certificates of insurance shall state that prior to cancellation, non-renewal or any material change, thirty (30) calendar days written notice shall be given to IEUA. Failure of IEUA or Speedway to enforce the minimum insurance requirements listed above shall not relieve Speedway or IEUA of responsibility for maintaining these coverages.

7.3 Occurrence Policy. All insurance required hereunder shall provide insurance for occurrences from the Effective Date hereof throughout the later of the expiration or termination hereof.

VIII. INDEMNITY

8.1 Indemnification by Speedway. Speedway shall fully indemnify, save harmless, and defend IEUA and any of its officers, directors, employees, contractors, and agents or assignees from and against any and all costs, claims, and expenses incurred by such parties in connection with or arising from any claimed interest to Pumping Rights asserted by third-parties, or any claim by a third-party for physical damage to or physical destruction of property, or death of or bodily injury to any person, but only to the extent caused by the negligence, gross negligence, or willful misconduct of Speedway or its agents or employees or others under the control of Speedway in performing any of the conditions and covenants of this Agreement.

8.2 Indemnification by IEUA. IEUA shall fully indemnify, save harmless, and defend Speedway or any of its officers, directors, employees, contractors, and agents from and

against any and all costs, claims, and expenses incurred by such parties in connection with or arising from any claim by a third-party for physical damage to or physical destruction of property, or death or bodily injury to any person, but only to the extent caused by the negligence, gross negligence, or willful misconduct of IEUA or its agents or employees or others under the control of IEUA.

IX. GENERAL PROVISIONS

9.1 Amendments. This Agreement may only be amended, modified, changed, or rescinded in a writing signed by each of the Parties hereto.

9.2 Interpretation. The language of this Agreement shall not be construed for or against any Party, as each Party has participated in the drafting of this Agreement and had the opportunity to have its counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice-versa. Unless the context otherwise requires, references herein: (i) to Sections and Exhibits mean the Sections of and the Exhibits attached to this Agreement; and (ii) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified in writing from time to time to the extent permitted by the provisions thereof and by this Agreement.

9.3 Headings. The headings of the Sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

9.4 Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

9.5 Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

9.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

9.7 Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered: (a) in person; or (b) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt; and (c) such notices shall be addressed as follows:

If to IEUA:

Inland Empire Utilities Agency
Attn: General Manager
6075 Kimball Avenue
Chino, CA 91708

If to Speedway:

California Speedway Corporation d/b/a Auto Club Speedway
Attn: President
9300 Cherry Avenue
Fontana, CA 92335

With a copy to:

Legal Department
One Daytona Boulevard
Daytona Beach, FL 32114

If to Water Company:

Fontana Water Company, a division of
San Gabriel Valley Water Company
Attention: President
11142 Garvey Avenue
Post Office Box 6010
El Monte, CA 91734

With a copy to:

T. J. Ryan, Vice President and General Counsel (same address)

If to City:

City of Fontana
Attention: City Manager
8353 Sierra Ave.
Fontana, CA 92335

9.8 Merger of Prior Agreements. This Agreement and the Exhibits hereto constitute the entire agreement between the Parties and supersede all prior agreements and understandings between the Parties relating to the subject matter hereof.

9.9 Attorney's Fees. If any legal action or any arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

9.10 Dispute Resolution. The Parties shall seek to resolve any dispute concerning the interpretation or implementation of this Agreement through good faith negotiation, involving, as and when appropriate, the general manager or chief executive officer of each of the Parties. Any dispute that remains unresolved thirty (30) days after notice of the dispute is made to the Parties, shall be resolved by a single arbitrator with substantial experience in the matter or matters in dispute, conducted in accordance with Judicial Arbitration and Mediation Services (JAMS). The JAMS arbitrator shall apply the American Arbitration Association's rules on commercial disputes, which shall govern any arbitration. If the Parties cannot agree on a single arbitrator within ten (10) days of the written election to submit the matter to arbitration, any Party may request JAMS to appoint a single, neutral arbitrator. The Parties shall use their reasonable best efforts to have the arbitration proceeding concluded within ninety (90) business days of selection of the arbitrator.

9.11 Cooperation. The Parties acknowledge that they are entering into a long-term arrangement in which the cooperation of all of them will be required, including the execution of necessary documents. The Parties agree to cooperate in good faith with each other in the development, construction, ownership, operation, and maintenance of the facilities that are described in this Agreement and that the Parties will support IEUA in the planning and implementation of the construction of the Temporary System, Permanent System, and other reasonably required site improvements on property owned by Speedway to the extent necessary to achieve performance of the terms and conditions of this Agreement. . The Parties agree to cooperate in good faith with Fontana Water Company in its implementation of recycled water service at CSI's property, including support of Fontana Water Company's efforts to obtain PUC approvals necessary to implement this Agreement. Provided, however, that this Section 9.12 is not intended to impose any substantive obligations or cost on either Party beyond those expressly included in this Agreement.

9.12 Independent Contractors. The Parties agree that they are independent contractors and shall be at all times solely responsible for themselves, as well as their respective officers, directors, members, partners, employees, agents, and contractors as to workmanship, accidents, injuries, wages, supervision, and control. This Agreement may not be altered in any manner, such as course of conduct or practice, so as to change the relationship or responsibilities of the Parties as independent contractors.

9.13 Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto, and nothing in this Agreement or any action taken hereunder shall be construed to create any duty, liability, or standard of care to any person not a Party to this Agreement. Except as specifically otherwise provided herein, no person shall have any rights or interest, direct or indirect, in this Agreement.

9.14 Savings Clause. Each term and condition of this Agreement is deemed to have independent effect and the invalidity of any partial or whole paragraph shall not invalidate the remaining paragraphs. The obligation to perform all of the terms and conditions of this Agreement shall remain in effect regardless of the performance of any invalid term by the other Party.

The effective date of this Agreement is the date of execution by the last Party to sign (the "Effective Date").

"IEUA"

INLAND EMPIRE UTILITIES AGENCY,
a California Municipal Water District

By: _____

Name:

Its: Chief Executive Officer

"Approved as to Form"

Jean Cihigoyenetché, Esq.
General Counsel

"Speedway"

CALIFORNIA SPEEDWAY CORPORATION dba
AUTO CLUB SPEEDWAY

By: _____

Name:

Name: _____

Its: _____

"Approved as to Form"

Print Name:

Attorney for California Speedway
Corporation dba Auto Club Speedway

“City”

CITY OF FONTANA

By: _____
Name: _____
Name: _____
Its: _____

“Approved as to Form”

Print Name: _____
Attorney for City of Fontana

“Water Company”

FONTANA WATER COMPANY

By: _____
Name: _____
Name: _____
Its: _____

“Approved as to Form”

Print Name: _____
Attorney for Fontana Water Company

EXHIBIT "A"

LIFT STATION

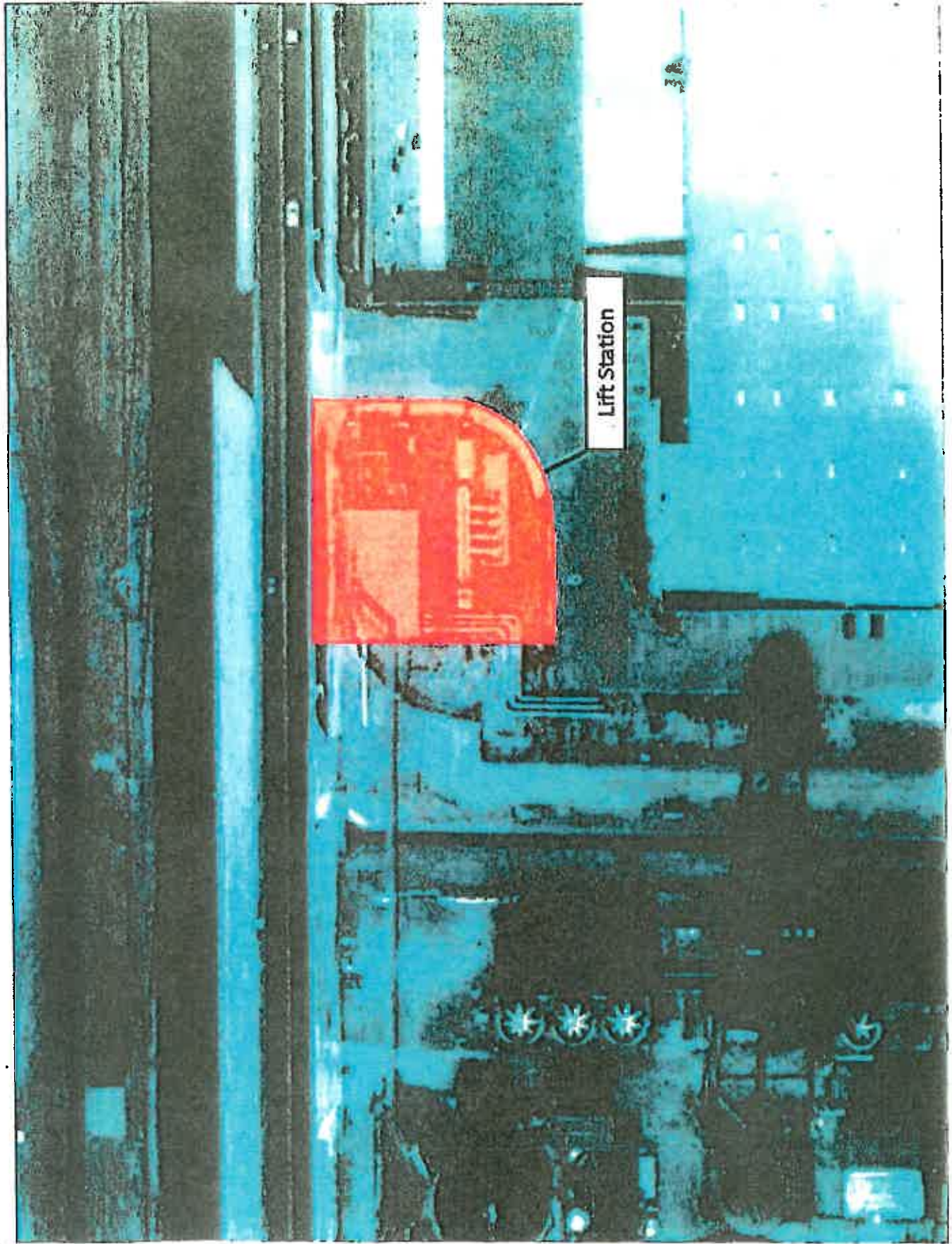
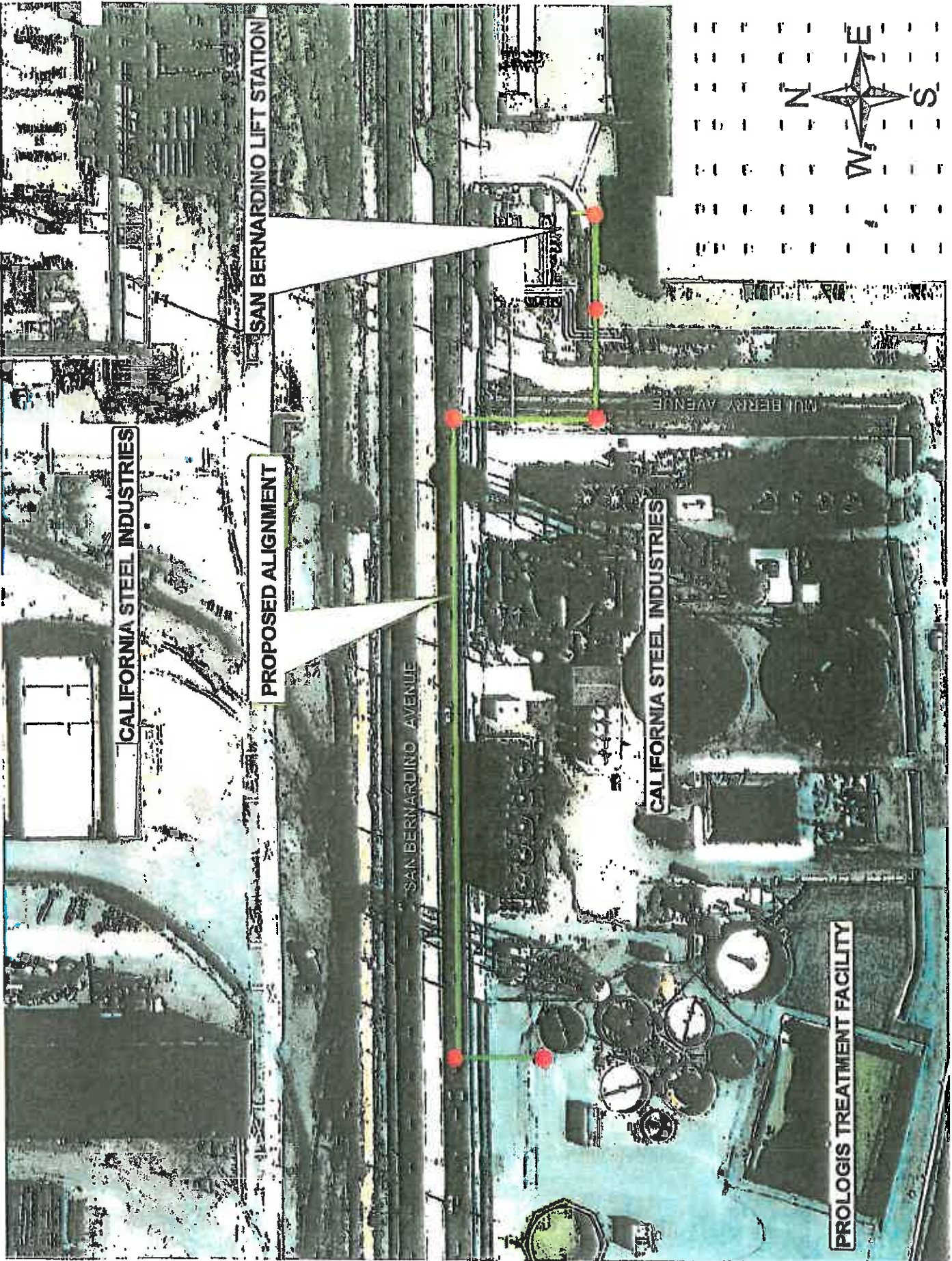


EXHIBIT "B"

PERMANENT WASTEWATER SYSTEM



CALIFORNIA STEEL INDUSTRIES

PROPOSED ALIGNMENT

SAN BERNARDINO LIFT STATION

SAN BERNARDINO AVENUE

CALIFORNIA STEEL INDUSTRIES

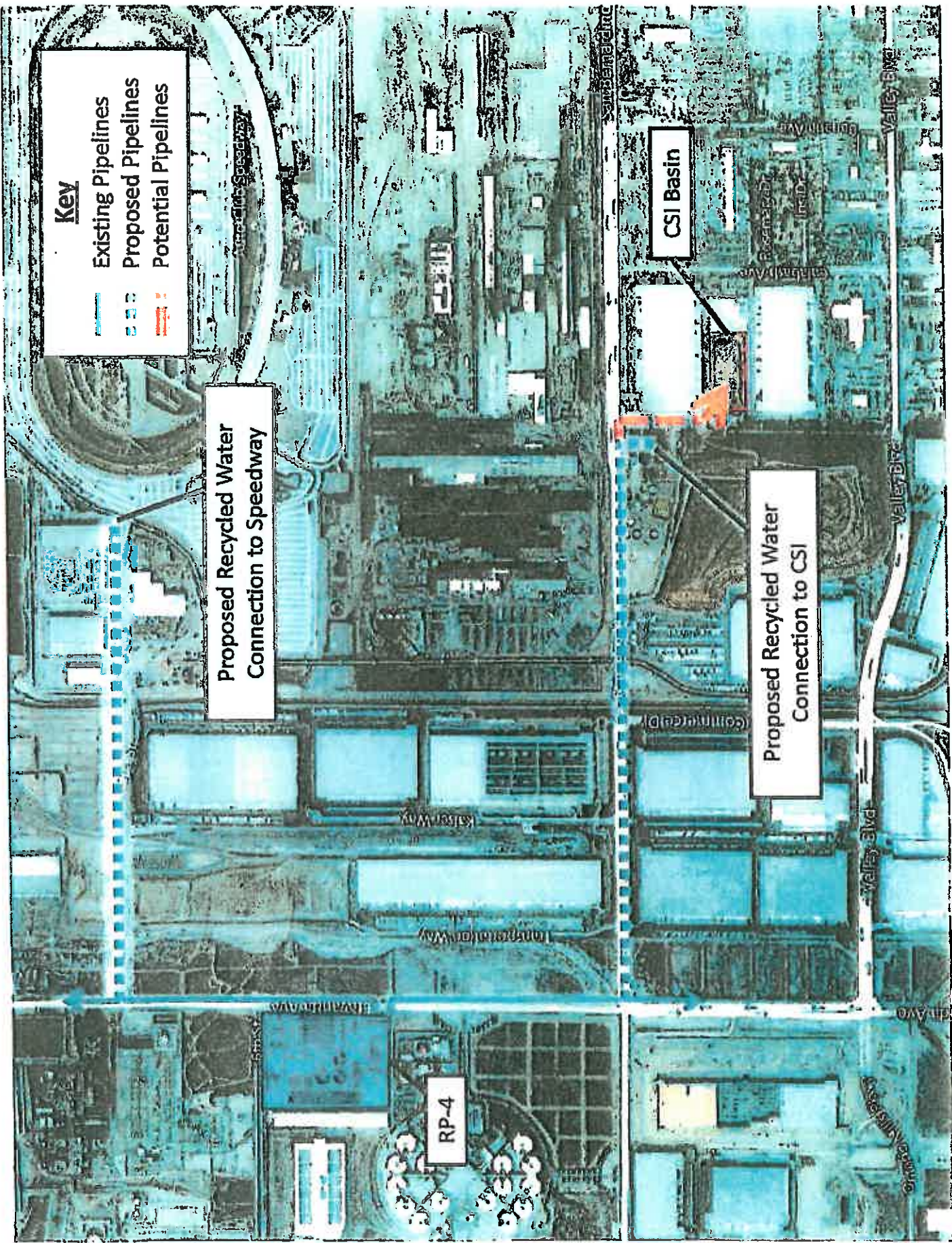
PROLOGIS TREATMENT FACILITY



WILBERLY AVENUE

EXHIBIT "C"

DEPICTION OF RECYCLED WATER SYSTEM



Key

- Existing Pipelines
- Proposed Pipelines
- Potential Pipelines

Proposed Recycled Water Connection to Speedway

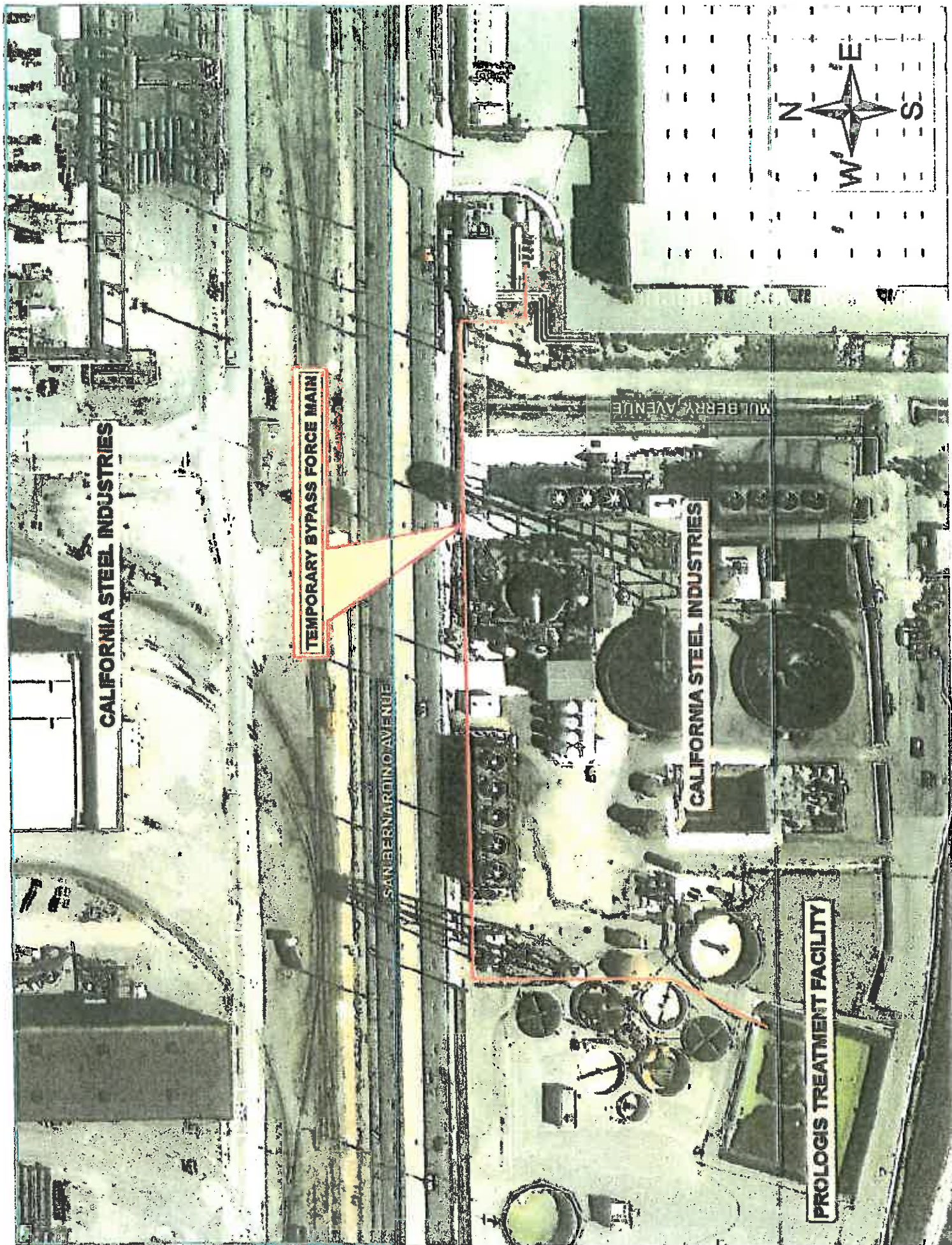
Proposed Recycled Water Connection to CSI

CSI Basin

RP-4

EXHIBIT "D"

TEMPORARY WASTEWATER SYSTEM



CALIFORNIA STEEL INDUSTRIES

TEMPORARY BYPASS FORCE MAIN

SAN BERNARDINO AVENUE

CALIFORNIA STEEL INDUSTRIES

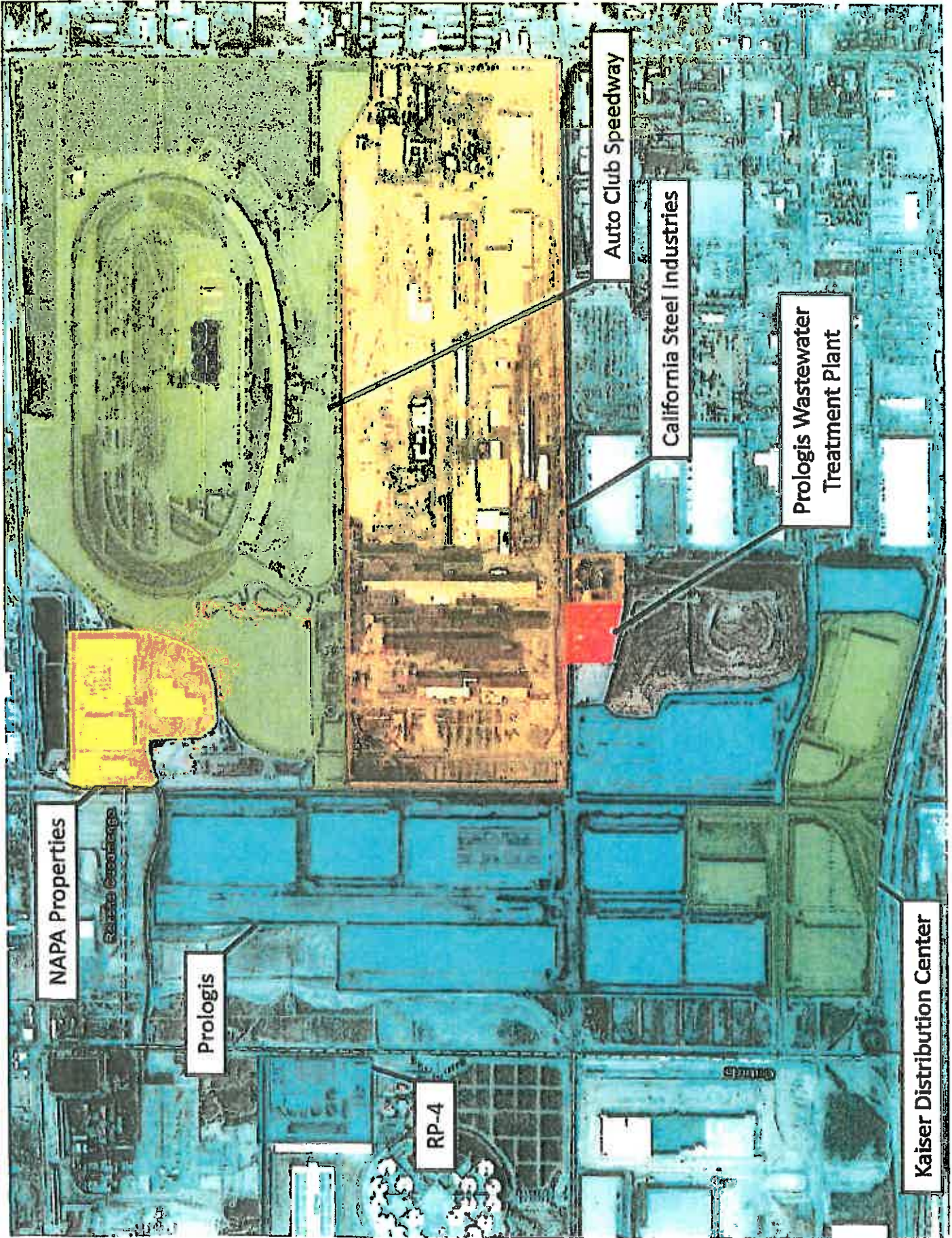
PROLOGIS TREATMENT FACILITY

MULBERRY AVENUE



EXHIBIT "E"

PROJECT PROPERTIES



NAPA Properties

Prologis

RP-4

Auto Club Speedway

California Steel Industries

Prologis Wastewater Treatment Plant

Kaiser Distribution Center

EXHIBIT "F"

CURRENT RATES

Current Rates*

Wastewater Connection Fee

\$5,107/EDU (one-time); Parties acknowledge that the City of Fontana connection fee has been waived or eliminated

Monthly Wastewater User Fee

County Area

\$37.79/EDU/month

Recycled Water Rate Basis

CSI/Speedway: 85% of MWD Bundled Untreated Tier 1

Metropolitan Water District of Southern California

Tier 1 Untreated (effective 1/1/2015) = \$582/AF

Fontana Water Company

RW rate indexed on current MWD rate = \$494.7/AF

Prologis: Recycled Water Metered Service

Fontana Water Company

Schedule No. FO-6 = \$2.0394/100 cu.ft.

*All rates are subject to Board/Council approved changes (typically evaluated on an annual basis based on public input). Values are in effect as of 7/1/15 unless otherwise noted.

EDU = Equivalent Dwelling Unit

EXHIBIT "G"
REGIONAL CONTRACT

***Chino Basin
Regional Sewage Service Contract
With Exhibits
(As Amended October 19, 1994)***

Also included:

***Regional Pretreatment Agreement
Regional Wastewater Ordinance
(CBMWD Ord. No. 57)
Wastewater Quality Limitations Applicable to
Contracting Agencies***

Attachment #3
Prologis Agreement

AGREEMENT FOR THE PROVISION OF SEWER SERVICE

This Agreement for the Provision of Sewer Service ("Agreement") is entered into this, the — day of ____, 2015 ("Effective Date"), by and between Inland Empire Utilities Agency, a Municipal Water District ("IEUA"); City of Fontana, a California municipal corporation; and PAC Operating Limited Partnership, a Delaware limited partnership ("POLP") and CCG Ontario Operations, LLC, a Delaware limited liability company ("CCG") (POLP and CCG are collectively referred to herein as "Prologis," each in its respective capacity as described below).

RECITALS

WHEREAS, Inland Empire Utilities Agency is a Municipal Water District organized and existing pursuant to Section 71000, et seq. of the California *Water Code* and is authorized to provide wastewater treatment services to property owned, operated, managed, and/or controlled by Prologis and various other property owners currently utilizing the Wastewater Treatment System (defined below); and

WHEREAS, The City of Fontana is a general law city located within the County of San Bernardino, State of California; and

WHEREAS, POLP, as successor by merger to PAC Commercial Group, LLC (formerly known as Catellus Commercial Group, LLC) owns that certain real property within the County of San Bernardino, State of California, which property is more commonly identified as Parcel 8 of Parcel Map 15640 recorded in the San Bernardino Official Records, Book 207, Pages 26-30 (the "Sewer Property"); and

WHEREAS, CCG operates and manages the Wastewater Treatment Plant located on the Sewer Property pursuant to an agreement with POLP; and

WHEREAS, domestic sewage generated on several of the properties surrounding the Sewer Property is currently treated by the Wastewater Treatment Plant, which (1) is an aging and less reliable facility for the treatment of wastewater, (2) will require significant and costly capital upgrades in the near future, and (3) does not have a reliable source for the discharge of treated wastewater; and

WHEREAS, Prologis wishes to decommission and demolish the Wastewater Treatment Plant and utilize, instead, permanent wastewater treatment services provided by IEUA, thereby securing reliable and cost effective domestic wastewater service to meet the current and future needs of the Served Properties, as defined below.

NOW, THEREFORE, in consideration of the mutual covenants, rights and obligations set forth herein and other good and valuable consideration, the receipt and the sufficiency of which each Party hereby acknowledges, the Parties, intending to be legally bound, hereby agree as follows:

I. DEFINITIONS

1.1 “Capital Costs” shall mean all actual, out of pocket costs incurred by IEUA for the design, engineering, construction, permitting and all other similar third party costs of constructing the Temporary System, Permanent System and Recycled Water system.

1.2 “City” shall mean the City of Fontana.

1.3 “City Fees” shall have the meaning set forth in Section 2.10.

1.4 “CSI” shall mean California Steel Industries, a Delaware corporation.

1.5 “CSI Property” shall mean that certain property currently owned by California Steel Industries and described on Exhibit “A” attached hereto.

1.6 “EDU” shall mean equivalent dwelling unit and shall have the same meaning as set forth in the Regional Contract.

1.7 “IEUA” shall mean the Inland Empire Utilities Agency, a Municipal Water District.

1.8 “Lift Station” shall mean that lift station facility owned by IEUA located on San Bernardino Avenue and depicted on Exhibit “B” of this Agreement.

1.9 “NAPA Properties” shall mean those four properties which are identified by the following San Bernardino County Assessor’s Parcel Numbers: 0229-291-039-0000, 0229-291-034-0000, 0229-291-040-0000, and 0229-291-031-0000, and depicted in greater detail on Exhibit “A” attached hereto, and which are understood to be currently owned, respectively, by Triple-S California Logistics LLC, a Texas limited liability company (“Triple-S”); Maas-Hansen Steel Corporation, a California corporation (“Maas”); McLeod Properties, Fontana LLC, a California limited liability company and Budway Enterprises, Inc., a California corporation (collectively, “McLeod”), and West Valley MRF, LLC, a California limited liability company (“MRF”).

1.10 “Party” or “Parties” shall mean an entity, individually, or the entities, collectively, that are bound by and have executed this Agreement.

1.11 “Permanent System” shall mean that certain gravity sewer pipe for the transmission of wastewater to be designed and constructed by IEUA from the point of connection on the Sewer Property up to the point of connection to the IEUA Lift Station, and as depicted on Exhibit “C” of this Agreement.

1.12 “Prologis” shall mean PAC Operating Limited Partnership and CCG Ontario Operations, LLC, collectively, each in its respective capacity as described in the third and fourth recital paragraphs above.

1.13 “Regional Contract” shall mean the Chino Basin Regional Sewerage Service Contract with Exhibits (as amended October 19, 1994) as amended from time to time.

1.14 “Related Contracts” shall mean the following contracts: (a) this Agreement, (b) the Agreement for the Provision of Recycled Water and Sewer Service between IEUA, the City, the Water Company (defined below) and CSI dated substantially concurrently herewith, and (c) the Agreement for the Provision of Recycled Water and Sewer Service between IEUA, the City, the Water Company, and Speedway (defined below) dated substantially concurrently herewith, all of which are for the provision of temporary wastewater services, permanent wastewater services, and/or recycled water services.

1.15 “Served Properties” or “Served Property” shall collectively or individually, as applicable, mean the parcels of real property consisting of the NAPA Properties, the Third-Party Properties, the Sewer Property and its adjacent properties currently owned by Prologis and/or its affiliates, the CSI Property and the Speedway Property.

1.16 “Served Property Owners” or “Served Property Owner” shall mean those fee owners (collectively) or a fee owner (individually) of the Served Properties, or a Served Property, as applicable.

1.17 “Sewer Property” shall have the meaning set forth in the third recital paragraph.

1.18 “Speedway” shall mean California Speedway Corporation, a Delaware corporation, dba Auto Club Speedway.

1.19 “Speedway Property” shall mean that certain property currently owned by Speedway and described on Exhibit “A” attached hereto.

1.20 “Temporary System” shall mean that certain above-ground piping for wastewater transmission to be designed and constructed by IEUA, located on POLP property and operated and maintained by POLP from the point of connection on the Sewer Property up to the point of connection to the IEUA Lift Station, and as depicted on Exhibit “D” of this Agreement, which

shall remain in service from the date of its completion until such time as the Permanent System is completed and accepting wastewater flows.

1.21 "Third-Party Properties" shall mean all of those properties located within the Kaiser Distribution Center industrial park which park is depicted on Exhibit "A" attached hereto, and/or which includes, but is not limited to, those parcels which are understood to be currently owned by Watson Land Company, the Estate of James Campbell, the David F. Bolger Sixth Amended and Restated Revocable Trust, the Appel Family Trust, BNSF, and various entities which are affiliated with POLP, or other entities which have not yet developed their parcels within the park.

1.22 "Water Company" shall mean the Fontana Water Company.

1.23 "WWTP" shall mean the Wastewater Treatment Plant.

II. WASTEWATER SERVICES

2.1 Temporary System. Within ninety (90) days after the full execution of all Related Contracts by the respective parties thereto, IEUA shall design and construct the Temporary System which shall have the capacity to accept all untreated wastewater flows from the WWTP and shall carry such flows, which are currently treated at the WWTP, to IEUA's Lift Station. For further clarification, the Parties agree that the wastewater will not be treated by the WWTP before conveyance to the Temporary System. The Temporary System will be constructed above-ground and located as depicted in Exhibit "D" attached hereto. The Parties contemplate that the Temporary System will consist of a 8 inch diameter pipe which is approximately 1,100 lineal feet in length. IEUA shall be responsible to comply with all entitlement requirements and regulatory requirements, including those established by the California Environmental Quality Act, necessary to complete the Temporary System. Prologis shall cooperate with and support IEUA in the planning and implementation of the construction of the Temporary System and other reasonably required site improvements on the Sewer Property. IEUA shall require similar a cooperation requirement in the Related Contract with CSI regarding CSI's property located adjacent to the Sewer Property.

2.2 Service Date. Upon completion of the Temporary System, IEUA will begin accepting all untreated wastewater flows diverted from the WWTP for the benefit of the Served Properties.

2.3 Operation and Maintenance. Prologis will operate and maintain the portions of the Temporary System located on the Sewer Property until such time as the Permanent System is operational so that the Temporary System is accepting all flows of untreated wastewater from the Served Properties. IEUA shall require, in the applicable Related Contract, CSI to operate and maintain the portions of the Temporary System located on CSI's property in a manner similar to

the foregoing. Notwithstanding the foregoing, the cost to repair any damages caused to the Temporary System by parties other than Prologis shall be borne by such other parties and Prologis shall have the right to pursue same for any costs Prologis incurs in repairing the Temporary System. At such time as the Permanent System is operational, the Temporary System will be promptly dismantled and removed from the Sewer Property by IEUA.

2.4 Permanent System. Promptly after the Temporary System becomes operational, IEUA shall design and construct the Permanent System, which Permanent System shall have the capacity to accept all untreated wastewater flows from the Served Properties and shall carry such flows to IEUA's Lift Station. For further clarification, the Parties agree that the wastewater will not be treated by the WWTP before conveyance to the Permanent System. The Permanent System will be constructed below-ground and located as depicted in Exhibit "C" attached hereto. The Parties contemplate that the Permanent System will consist of approximately 1300 linear feet of gravity sewer pipeline. IEUA shall be responsible to comply with all property acquisition needs, entitlement requirements and regulatory requirements, including those established by the California Environmental Quality Act, necessary to complete the Permanent System. Once the Permanent System is operational, it will replace the Temporary System and IEUA will continue accepting all untreated wastewater flows from the Served Properties pursuant to the terms and conditions of this Agreement.

(a) Capital Costs. The Parties intend that the Capital Costs shall be payable to IEUA in equal amounts among Prologis, CSI, and Speedway. Prologis agrees to pay its 33.3% share of the Capital Costs within thirty (30) days after written notice from IEUA regarding the later to occur of (a) the Board of Directors of IEUA has accepted the completed Permanent System, and (b) IEUA has delivered an itemized invoice to Prologis setting forth the total Capital Costs owed. Prologis' share of the Capital Costs shall not exceed Three Hundred Thousand Dollars (\$300,000) If bids for the construction of the Permanent System exceed by the not to exceed cost set forth above, (1) IEUA and Prologis shall negotiate in good faith regarding responsibility for the excess costs, (2) IEUA and Prologis shall each have the option to withdraw from this Agreement if such negotiations are not successful in the reasonable discretion of either IEUA or Prologis, and (3) if either IEUA or Prologis withdraws from this Agreement pursuant to this Section 2.4(a) this Agreement shall terminate. Interest at the rate of 6% shall accrue on the total of all delinquent payments owed by Prologis, commencing on the 31st day after the payment due date stated above, and shall be added to any payment owed by Prologis that becomes delinquent. Prologis shall not have any responsibility for the failure of CSI or the Speedway to timely pay their respective share of the Capital Costs.

(b) Operation and Maintenance.

(1) Permanent System. Prologis shall own, operate, maintain and repair any portion of the Permanent System located on Sewer Property and IEUA shall own, operate,

maintain and repair any portion of the Permanent System located in the public right of way. In the event of the sale of all or part of the Sewer Property, or in the event Prologis elects to amend its Declaration of Covenants, Conditions and Restrictions for Kaiser Commerce Center recorded as Document Number 20020022475 in the Official Records of San Bernardino County, as amended (the "CCRs"), Prologis shall have the right, at its sole discretion, to cause the foregoing obligations for the ownership, operation, maintenance and repairs of the portion of the Permanent System for which Prologis is responsible, to be assigned and assumed by its successor fee owner or by the Declarant, Operator or the Association (as such terms are defined in the CCRs) under said CCRs and upon such assignment and assumption, Prologis shall be fully released from the foregoing obligations. In the absence of any such assignment and assumption regarding the ownership, operation, maintenance and repair of the Permanent System located on Sewer Property, Prologis shall remain responsible for the foregoing obligations. IEUA shall require similar ownership, operation, maintenance and repair obligations from CSI for any portion of the Permanent System located on CSI Property.

(2) Existing or Future Systems on Third Party Properties. The Parties acknowledge that the CCRs currently provide for the Operator (as defined in the CCRs) to maintain all sewer improvements and facilities located on or within the Third-Party Properties. Such facilities include all wastewater piping from such Third-Party Properties to the Prologis lift station and/or to the WWTP, and the Prologis lift station. IEUA shall have no responsibility for the operation or maintenance of existing or future systems located on Third Party Properties.

(3) Other Existing or Future Systems. Prologis shall have no responsibility for any of the sewer facilities located outside of the Sewer Property or the Third-Party Properties. IEUA shall cause CSI and/or Speedway to be responsible for the operation, maintenance and repair of all sewer facilities located on the CSI Property, Speedway Property and the NAPA Properties, and any facilities, including pipes, between and among any of the foregoing properties and the WWTP, the Permanent System and/or the Temporary System.

2.5 Transition of Service. Prologis shall reasonably cooperate with IEUA in the transition of wastewater treatment services from the WWTP to the Permanent System. Not more than sixty (60) days prior to such transition, IEUA shall submit a schedule prepared in coordination with Prologis, CSI and Speedway, setting forth the acts required of each party and the timing thereof, to accomplish the transition. The reasonable costs associated with the transition activities described in this Section 2.5 shall be borne by the party incurring the expense.

2.8 Waste Regulation. Prologis acknowledges that the Temporary and Permanent Systems are to be used for domestic wastewater (sewer) use only. Within thirty (30) days following the Effective Date of this Agreement, Prologis shall inform the Served Property Owners (excluding CSI and Speedway) of their obligation to comply with the applicable laws, ordinances, and regulations, including those contained in the Regional Contract, as set forth on

Exhibit "E" attached hereto. IEUA shall be responsible for the administration of the pretreatment program with CSI, Speedway, Prologis, NAPA Properties and Third Party Properties.

2.9 Connection Fees. Prologis shall cause all Served Property Owners (excluding CSI and Speedway) to pay all connection fees associated with connecting their respective properties to the Permanent System, and such connection fees shall be calculated in an amount as prescribed by the Regional Contract and as further described on Exhibit "F" attached hereto. Within thirty (30) days following the execution of this Agreement, Prologis shall notify the other Served Property Owners (excluding CSI and Speedway) of their obligation to pay connection fees due from such owners' respective Served Property, which connection fees shall also be calculated in an amount as prescribed by the Regional Contract and which estimates are further described on Exhibit "F" attached hereto. In the event any Served Property Owner(s), other than CSI or Speedway, fails to timely pay its connection fees, Prologis shall make such payments within thirty (30) days following written notice from IEUA. In the event Prologis pays any connection fees for any Served Property Owner, IEUA acknowledges that Prologis shall have the right to seek reimbursement of such payments from the applicable Served Property Owner(s). Prologis shall notify the Served Property Owners (excluding CSI and Speedway) of their obligation to (a) report any future wastewater fixture unit additions to Prologis, IEUA and the City, and (b) pay to IEUA applicable connection fees in accordance with the applicable terms and conditions of the Regional Contract. The current connection fees are set forth in Exhibit "F" attached hereto and are subject to change by action of the Board of Directors of IEUA and which change(s) shall be applied to Prologis and all Served Property Owners to the same extent as they are applied to all similarly situated sewer customers of IEUA. Within thirty (30) days from the date that IEUA accepts untreated wastewater through the Temporary System, Prologis shall submit to IEUA written verification that the above-described notices have been provided to the applicable Served Property Owners. A current inventory of the estimated EDU's is attached hereto as Exhibit "G" attached hereto.

2.10 User Fees. Each Served Property Owner will be required to pay monthly wastewater user fees as billed by City ("City Fees") in accordance with the rate structure established by City for such services for similarly situated properties located outside of the City users. The City shall invoice each Served Property Owner separately for its City Fees. City Fees shall be assessed from the date that IEUA begins accepting untreated wastewater flows into the Temporary System. The current City Fees are set forth in Exhibit "F" and are subject to change by action of the City Council of the City. Such City fees will be charged to the Served Properties under the category of "outside City" unless any Served Property Owner elects, in its sole discretion, to annex into the City. The City shall not require annexation as a condition to the provision of sewer services under this agreement. Notwithstanding the foregoing, Prologis and/or the Operator under the CCRs shall have the right to bill the Served Property Owners for their pro rata shares of the costs to operate, maintain and repair the Temporary System,

Permanent System and all other wastewater improvements and facilities operated and maintained by Prologis or the Operator.

2.11 WWTP Demolition. After the Temporary System becomes operational, Prologis shall have the sole right to begin and complete demolition of the WWTP and all associated facilities, excluding the bladder, at its sole cost and expense; provided that any existing piping which is necessary for the Permanent System shall remain in place. After the Permanent System becomes operational, Prologis shall have the right to begin and complete demolition of the bladder and any remaining WWTP facilities that are not necessary for the Permanent System, at Prologis' sole cost and expense. Prologis agrees that any and all demolition activities shall not interfere with the use or operation of the Temporary System, nor the construction, use or operation of the Permanent System.

III. WATER RIGHTS

3.1 Release of Water Rights. Kaiser Ventures Inc. ("Kaiser") was a party to that certain Water Rights Agreement dated November 21, 1995, pursuant to which Kaiser conveyed to Speedway Development Corporation ("SDC"), an affiliate of Speedway, an undivided right in 475 acre-feet annually of certain non-agricultural overlying rights from the safe yield of the Chino groundwater basin ("Joint Water Rights"), which Joint Water Rights were a portion of those water rights decreed to Kaiser as set forth at page 60, line 9 of Exhibit "D" to that certain judgment in Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino Superior Court, Case No. RCV 51010. Pursuant to such Water Rights Agreement, the Joint Water Rights were held by Kaiser and SDC as tenants in common, with SDC having the first right and priority to use said Joint Water Rights. To the extent in any given year SDC did not make use of the Joint Water Rights, Kaiser had the right to use or store the unused portion (the "Residual Water Rights"). In the year 2000, Prologis became the successor to Kaiser under the Water Rights Agreement and commencing in 2000 has had the benefit of the Residual Water Rights, if any. Prologis makes no representations or warranties regarding the status of the Residual Water Rights or its ownership interest in same. To the extent that SDC, and/or Speedway, assigns all of its right, title, and interest in said Joint Water Rights to IEUA for a period not to exceed sixty (60) years ("Term"). The assignment shall be allocated as follows:

Years one (1) through forty (40) – 450 acre feet per year

Years forty-one (41) through fifty (50) – 300 acre feet per year

Years fifty-one (51) through sixty (60) – 150 acre feet per year

Prologis agrees that during that same Term, it will recognize the interests of IEUA in said Joint Water Rights as primary and senior to the rights of Prologis to the same extent as SDC's rights

under the Water Rights Agreement, and Prologis will take no efforts during said Term to interfere with IEUA's rights as granted by SDC.

IV. TERM

4.1 Term of Agreement. This Agreement shall be effective on the Effective Date; provided, however, the performance obligations of Prologis hereunder shall only begin on the date that all Related Contracts are executed by the respective Parties. This Agreement shall continue for an initial term of sixty (60) years, and shall automatically renew for ten (10) year terms, until such time as IEUA, or any successor to same, ceases to provide sewer treatment services to properties in the areas surrounding the IEUA Regional Treatment Plant No. 4 in which event IEUA shall provide to Prologis and all other Served Property Owners to the same extent as it provides notice to all other served properties, and further provided that in no event shall the term be for less than sixty (60) years.

4.2 Termination by Prologis. In the event that IEUA fails to perform any of the services contemplated in Section II within 24 months of the effective date of this Agreement, then Prologis shall have the right to terminate this Agreement. Provided, however, that Prologis must first deliver to the IEUA a Notice of Intent to Terminate, and the IEUA shall have a reasonable opportunity (which shall not exceed sixty [60] days) to perform the obligation.

V. INSURANCE

5.1 Insurance. During such periods of time when the Temporary System and Permanent System are being constructed, the Party performing any such construction work shall provide and maintain General Liability Insurance so as to provide protection and indemnification against any and all claims, liabilities or suits in connection with the performance of construction work under this Agreement. The performing Party and its contractors shall furnish to the other Parties on whose property work is being performed certificates issued by insurance companies reasonably acceptable to one another showing policies carried and the limits of coverage as follows:

- (a) Workers' Compensation Insurance for such Party's and its contractor's employees to the extent of statutory limits and Occupational Disease and Employer's Liability Insurance for not less than \$1,000,000.
- (b) Commercial General Liability Insurance, including but not limited to Products and Completed Operations and Contractual Liability, as applicable to such Party's obligations under this Agreement with limits not less than:
 - (i) Personal Injury - \$1,000,000 per occurrence, and
 - (ii) Property Damage - \$1,000,000 per occurrence.
- (c) Automobile Liability Insurance with limits not less than:
 - (i) Bodily Injury - \$1,000,000 each accident, and
 - (ii) Property Damage: \$1,000,000 each accident.

5.2 Certificates of Insurance. Each Party shall provide certificates of insurance to the applicable other Parties during the Term of this Agreement certifying that such coverages shall remain in effect for the duration of the construction of improvements under this Agreement; provided, however, that IEUA shall deliver certificates of insurance to Prologis during the Term of this Agreement with a satisfactory loss payable endorsement naming Prologis as a loss payee, and with respect to the General Liability and Auto Liability Insurance, shall name Prologis as an additional insured, and shall provide endorsement evidencing waivers of subrogation. All certificates of insurance shall state that prior to cancellation, non-renewal or any material change, thirty (30) Calendar Days written notice shall be given to the other Party. Failure of any Party to enforce the insurance requirements listed above shall not relieve any other Parties from responsibility for maintaining these coverages.

5.3 Occurrence Policy. All insurance required hereunder shall provide insurance on an "occurrence" basis.

VI. INDEMNITY

6.1 Indemnification by Prologis. Prologis shall fully indemnify, save harmless and defend IEUA and any of its officers, directors and employees from and against any and all costs, claims, and expenses incurred by such parties and arising from any claim from third parties for physical damage to or physical destruction of property, or death of or bodily injury to any person, but only to the extent caused by the negligence, gross negligence, or willful misconduct of Prologis or its employees or others acting under the direction and control of Prologis in performing any of its obligations required by this Agreement to operate, maintain or repair the Temporary System or any portion of the Permanent System located on the Sewer Property.

6.2 Indemnification by IEUA. IEUA shall fully indemnify, save harmless, and defend POLP, CCG and any of their officers, directors, affiliates, employees, contractors, and agents from and against any and all costs, claims, and expenses, including attorney's fees, incurred by such parties and arising from any claim for physical damage to or physical destruction of property, or death or bodily injury to any person, but only to the extent caused by the negligence, gross negligence, or willful misconduct of IEUA or its agents, contractors or employees or others under the direction or control of IEUA or its contractors. In addition to the foregoing, IEUA shall indemnify, save harmless and defend Prologis in connection with any liens or other similar encumbrances resulting from the work on the Sewer Property performed by IEUA or any contractors retained by IEUA to perform any of the work described in this Agreement.

VII. GENERAL PROVISIONS

7.1 Assignment. Except as otherwise expressly set forth herein, no Party may assign their rights, responsibilities, and obligations hereunder without the consent of all other Parties,

which shall not be unreasonably withheld or delayed. This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective, permitted successors and assigns.

7.2 Amendments. Except as otherwise provided in this Agreement, this Agreement may only be amended, modified, changed, or rescinded in writing, signed by each of the Parties hereto.

7.3 Interpretation. The provisions of this Agreement should be liberally interpreted to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against any party, as each party has participated in the drafting of this Agreement and had the opportunity to have its counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa. The word "including" means without limitation, and the word "or" is not exclusive. Unless the context otherwise requires, references herein: (i) to Sections and Exhibits mean the Sections of and the Exhibits attached to this Agreement; and (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement.

7.4 Headings. The headings of the Sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

7.5 Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

7.6 Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be one and the same instrument.

7.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

7.8 Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered: (a) in person; or (b) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt; and such notices shall be addressed as follows:

If to IEUA:

Inland Empire Utilities Agency
Attn: General Manager
6075 Kimball Avenue
Chino, CA 91708

If to Prologis:

PAC Operating Limited Partnership and
CCG Ontario Operations, LLC
c/o Prologis, Inc.
Attn: Tyson Chave
2817 E. Cedar Street, Suite 200
Ontario, CA 91761-8568

With a copy to:

c/o Prologis, Inc.
Attn: General Counsel
4545 Airport Way
Denver, Colorado 80239

If to City:

7.9 Merger of Prior Agreements. This Agreement and the Exhibits hereto constitute the entire agreement between the Parties and supersede all prior agreements and understandings between the Parties relating to the subject matter hereof.

7.10 Attorney's Fees. If any legal action or any arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party shall be entitled to recover its reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

7.11 Dispute Resolution. The Parties shall seek to resolve any dispute concerning the interpretation or implementation of this Agreement through good faith negotiation, involving, as and when appropriate, the general manager or an officer with authority of each of the Parties.

Any dispute that remains unresolved ninety (90) days after notice of the dispute is made to the Parties, shall be resolved by a single arbitrator with substantial experience in the matter or matters in dispute, conducted in accordance with the requirements of Judicial Arbitration and Mediation Services (JAMS). If the Parties cannot agree on a single arbitrator within ten (10) days of the written election to submit the matter to arbitration, any Party may request JAMS to appoint a single, neutral arbitrator, and such arbitrator shall not be subject to objection by the Parties. The Parties shall use their reasonable efforts to have the arbitration proceeding commenced within sixty (60) days after the selection of the arbitrator and concluded as soon as reasonably possible thereafter. Arbitration shall be conducted pursuant to the provisions of California *Code of Civil Procedure*, Sections 1280 et seq. In rendering the award, the arbitrator shall determine the rights and obligations of the Parties according to the substantive and procedural laws of California. All discovery shall be governed by the California *Code of Civil Procedure*. The arbitrator may establish other discovery limitations or rules.

7.12 Cooperation. The Parties acknowledge that they are entering into a long-term arrangement in which the cooperation of all Parties will be required, including the execution of necessary documents. The Parties agree to cooperate in good faith with one another in the development, construction, ownership, operation, and maintenance of the Permanent System and Temporary System which are described in this Agreement and that Prologis will cooperate with IEUA in the planning and implementation of the construction of the Temporary System, Permanent System, and other reasonably required site improvements on the Sewer Property to the extent necessary to achieve performance of the terms and conditions of this Agreement.

7.13 Independent Contractors. The Parties agree that they are independent contractors and shall be at all times solely responsible for themselves, as well as their respective officers, directors, members, partners, employees, agents, and contractors as to workmanship, accidents, injuries, wages, supervision and control. This Agreement may not be altered in any manner so as to change the relationship or responsibilities of the Parties as independent contractors.

7.14 Third-Party Beneficiaries. Except as otherwise expressly provided herein, this Agreement is for the sole benefit of the Parties hereto and the Served Property Owners, and nothing in this Agreement or any action taken hereunder shall be construed to create any duty, liability, or standard of care to any other Person not a Party to this Agreement. Except as specifically otherwise provided herein, no Person shall have any rights or interest, direct or indirect in this Agreement other than the Served Property Owners, who are expressly third party beneficiaries with rights limited to the IEUA's obligations in Section 2.2 and Section 2.4 of this Agreement.

7.15 Savings Clause. Each term and condition of this Agreement is deemed to have independent effect and the invalidity of any partial or whole paragraph shall not invalidate the remaining paragraphs. The obligation to perform all of the terms and conditions of this

Agreement shall remain in effect regardless of the performance of any invalid term by the other Party.

The effective date of this Agreement is the date of execution by the last party to sign (the "Effective Date").

"IEUA"

INLAND EMPIRE UTILITIES AGENCY,
a California Municipal Water District

By: _____
Name: _____
Its: Chief Executive Officer

"Approved as to Form:"

Jean Cihigoyenette, Esq.
General Counsel

"Prologis"

PAC OPERATING LIMITED PARTNERSHIP
a Delaware limited partnership

By: Palmtree Acquisition Corporation
a Delaware corporation
its general partner

By: _____
Name: _____
Title: _____

CCG ONTARIO OPERATIONS, LLC
a Delaware limited liability company

By: ProLogis Logistics Services Incorporated
a Delaware corporation
its sole member

By: _____
Name: _____
Title: _____

"City"

CITY OF FONTANA

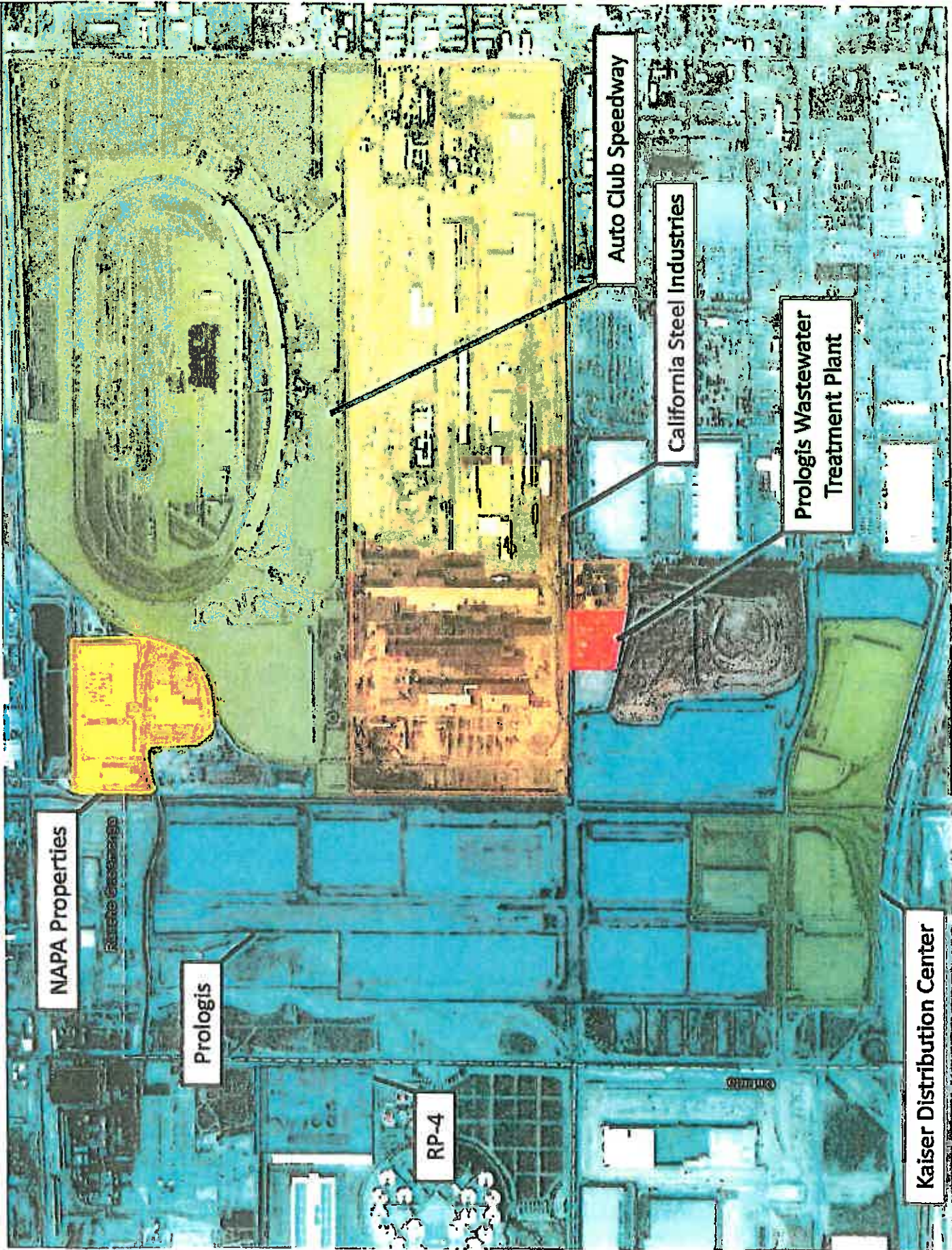
By: _____
Name: _____
Name: _____
Its: _____

"Approved as to Form:"

Print Name: _____
Attorney for City of Fontana

EXHIBIT "A"

PROJECT PROPERTIES



NAPA Properties

Rustico Greenway

Prologis

RP-4

Auto Club Speedway

California Steel Industries

Prologis Wastewater Treatment Plant

Kaiser Distribution Center

EXHIBIT "B"

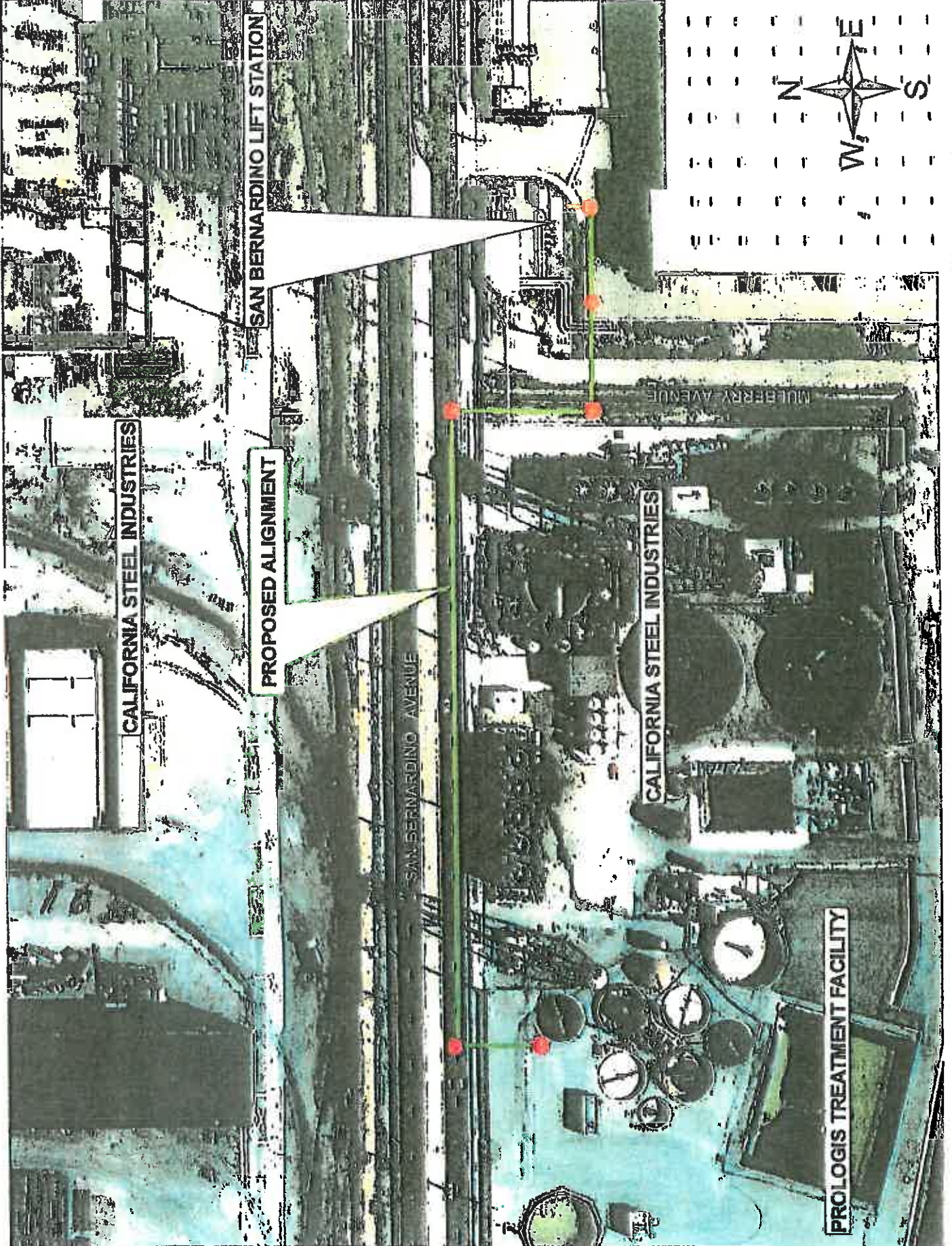
LIFT STATION

Lift Station



EXHIBIT "C"

PERMANENT WASTEWATER SYSTEM



CALIFORNIA STEEL INDUSTRIES

PROPOSED ALIGNMENT

SAN BERNARDINO LIFT STATION

SAN BERNARDINO AVENUE

CALIFORNIA STEEL INDUSTRIES

MULBERRY AVENUE

PROLOGIS TREATMENT FACILITY



EXHIBIT "D"

TEMPORARY WASTEWATER SYSTEM

TEMPORARY BYPASS FORCE MAIN

CALIFORNIA STEEL INDUSTRIES

SAN BERNARDINO AVENUE

MULBERRY AVENUE

CALIFORNIA STEEL INDUSTRIES

PROLOGIS TREATMENT FACILITY

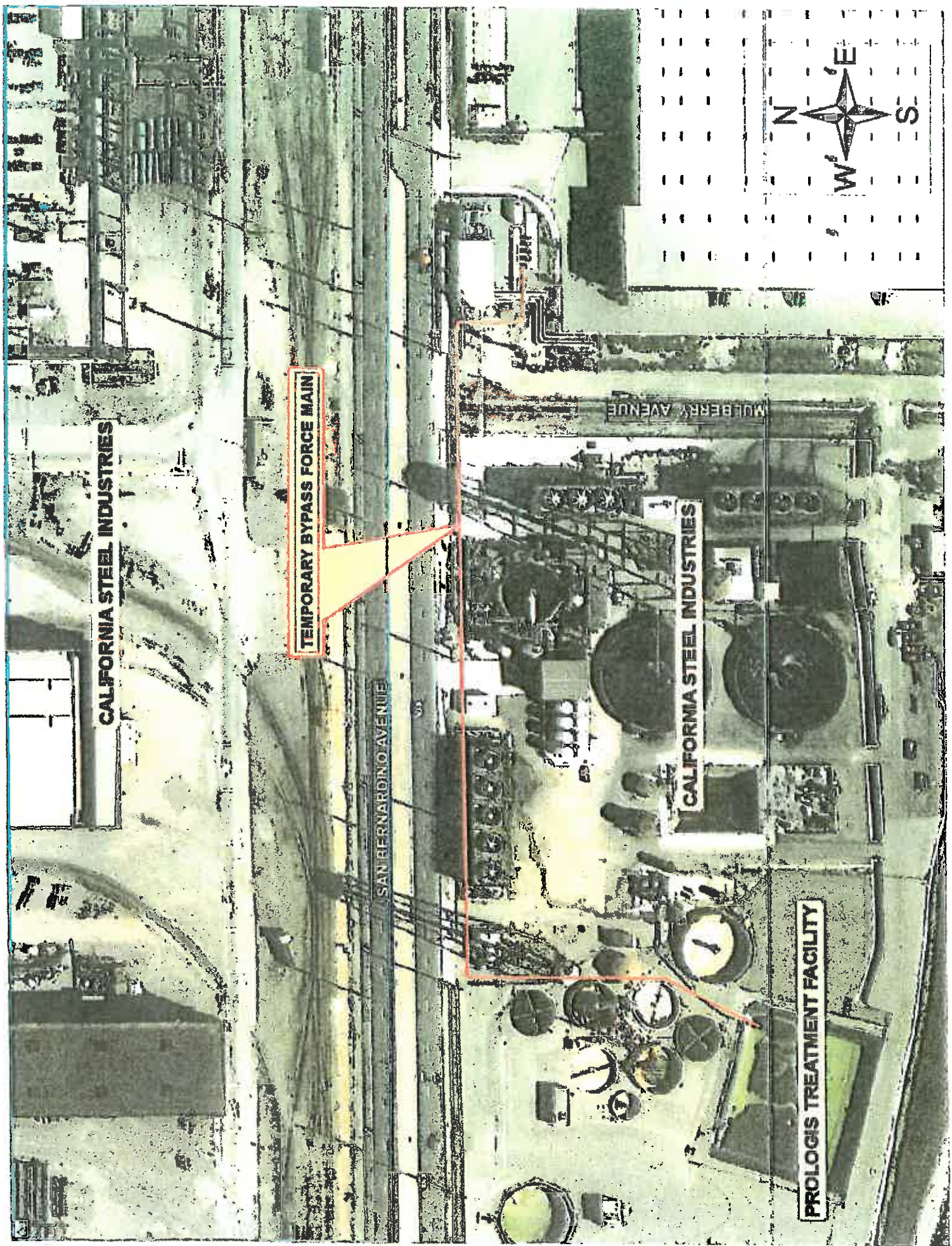


EXHIBIT "E"

CHINO BASIN REGIONAL SEWAGE SERVICE CONTRACT

***Chino Basin
Regional Sewage Service Contract
With Exhibits
(As Amended October 19, 1994)***

Also included:

***Regional Pretreatment Agreement
Regional Wastewater Ordinance
(CBMWD Ord. No. 57)
Wastewater Quality Limitations Applicable to
Contracting Agencies***

EXHIBIT "F"

CURRENT RATES

Current Rates*

Wastewater Connection Fee

\$5,107/EDU (one-time); Parties acknowledge that the City of Fontana connection fee has been waived or eliminated

Monthly Wastewater User Fee

County Area

\$37.79/EDU/month

Recycled Water Rate Basis

CSI/Speedway: 85% of MWD Bundled Untreated Tier 1

Metropolitan Water District of Southern California

Tier 1 Untreated (effective 1/1/2014) = \$593/AF

Fontana Water Company

RW rate indexed on current MWD rate = \$504/AF

Prologis: Recycled Water Metered Service

Fontana Water Company

Schedule No. FO-6 = \$2.0394/100 cu.ft.

***All rates are subject to Board/Council approved changes (typically evaluated on an annual basis based on public input). Values are in effect as of 7/1/14 unless otherwise noted.**

EDU = Equivalent Dwelling Unit

EXHIBIT "G"

CURRENT INVENTORY OF EDU'S

EDU Inventory

Thrd-Party Properties		EDUs
1	Walmart	7.9
2	Johnson & Johnson	6.3
3	Kellog	2.5
4	Scotts	2.8
5	Sports Authority	5.8
6	LG Electronics	2.9
7	UTI/SMC	6.7
8	Mohawk	5.4
9	Falken Tires	5.2
10	Watson Inland, LLC	2.4
11	Watson Inland, LLC	3.7
12	Appel Trust	3.3
13	Bolger & Co.	5.6
14	Leapfrog	7.9
16	Maas-Hansen Steel Corp.	1.8
17	McLeod Properties, Fontana, LLC & Budway Enterprises	1.6
18	Lalani Steel, Inc.	2.1
19	West Valley MRF, LLC	2.8
Total		76.9

EXHIBIT "H"

PROLOGIS CC&R'S

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Attachment #4

Fontana Water Company MOU

AGREEMENT FOR THE SALE OF RECYCLED WATER BETWEEN INLAND EMPIRE
UTILITIES AGENCY, A MUNICIPAL WATER DISTRICT, AND FONTANA WATER
COMPANY, A DIVISION OF SAN GABRIEL VALLEY WATER COMPANY, A
CALIFORNIA CORPORATION

This Agreement is entered into on this the _____ day of July, 2015, by and between the Inland Empire Utilities Agency, a Municipal Water District (hereinafter "IEUA") and Fontana Water Company (hereinafter "FWC"), a division of San Gabriel Valley Water Company, a California corporation to establish the wholesale price of recycled water.

WHEREAS, IEUA is a municipal water district organized and existing pursuant to Section 71000, et seq. of the California *Water Code* and is authorized to provide recycled water services including the sale of recycled water within its jurisdiction; and

WHEREAS, FWC is a public utility water company subject to the regulatory jurisdiction of the California Public Utilities Commission (hereinafter "PUC") doing business in the County of San Bernardino, with its principal place of business being 15966 Arrow Route, Fontana, California and is authorized to provide public utility water service, including service of recycled water, to its customers such as California Steel Industries, Inc. (hereinafter "CSI") and California Speedway Corporation d.b.a. Auto Club Speedway (hereinafter "Speedway") which are located within its service area as authorized and approved by the PUC; and

WHEREAS, IEUA and FWC are currently negotiating contracts with CSI and Speedway which agreements provide, among other things, for the wholesale of recycled water by IEUA to FWC and the retail sale of recycled water by FWC to CSI and Speedway (hereinafter "Related Contracts"); and

WHEREAS, pursuant to the Related Contracts, FWC has agreed to sell recycled water to CSI and Speedway at a rate not greater than 85% of the corresponding Metropolitan Water District of Southern California full service untreated Tier 1 rate including any future adjustments thereto; and

WHEREAS, the Parties hereto wish to establish the maximum wholesale price of recycled water sold under the Related Contracts;

NOW, THEREFORE, the Parties hereto agree as follows:

1. The price of recycled water sold to FWC pursuant to this Agreement shall not exceed 70% of the corresponding Metropolitan Water District of Southern California untreated Tier 1 rate, including any future adjustments thereto.

2. The 2015 Metropolitan Water District of Southern California full service untreated Tier 1 rate as provided to the IEUA service area is comprised of several components including the following:

- Tier 1 supply rate;
- System access rate;
- Water stewardship rate; and
- System power rate.

3. The term of this Agreement shall be coterminous with the term of the Related Contracts.

“IEUA”

INLAND EMPIRE UTILITIES AGENCY,
a California Municipal Water District

By: _____

Name:

Its: Chief Executive Officer

“Approved as to Form:”

Jean Cihigoyenetché, Esq.
General Counsel

“WATER COMPANY”

FONTANA WATER COMPANY

By: _____

Name:

Name: _____

Its: _____

“Approved as to Form:”

Print Name: _____

Attorney for Fontana Water Company

Attachment #5
City of Fontana MOU

**MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF FONTANA AND
THE INLAND EMPIRE UTILITIES AGENCY**

This Memorandum of Understanding is entered into on this the _____ day of July 2015, by and between THE CITY OF FONTANA, a general law city located within the County of San Bernardino, State of California ("City") and the INLAND EMPIRE UTILITIES AGENCY, a Municipal Water District located within the County of San Bernardino, State of California ("IEUA").

RECITALS

WHEREAS, currently, certain properties located within the County of San Bernardino and within the City's sphere of influence obtain wastewater treatment services through a wastewater treatment plant privately owned and operated by PAC Operating Limited Partnership, a Delaware limited partnership; and CCG Ontario Operations, LLC, a Delaware limited liability company (collectively, "Prologis"). Said treatment plant is aging and will require significant and costly repairs in the near future; and

WHEREAS, the properties receiving wastewater treatment from the Prologis plant ("Affected Properties") include generally, properties owned and operated by Prologis, California Steel Industries, Inc. ("CSI"), and California Speedway Corporation, dba Auto Club Speedway ("Speedway"), a map depicting the Affected Properties is attached as Exhibit "A"; and

WHEREAS, IEUA contemplates entering into contracts to provide wastewater collection and treatment services to the Affected Properties which services will be administrated through the City and which will ultimately result in the cessation of wastewater treatment at the current Prologis wastewater treatment plant; and

WHEREAS, CSI, Speedway, and Prologis have refused to execute wastewater treatment agreements with IEUA so long as those agreements are conditioned upon concurrent pre-annexation agreements with the City; and

WHEREAS, the City is agreeable to allow the pending wastewater treatment contracts to be approved on condition that IEUA agree to certain limitations on future expansion of wastewater treatment services to the Affected Properties should land use or zoning changes occur on those properties; and

WHEREAS, IEUA wishes to reach agreement with the City on these issues in order to allow the wastewater agreements with CSI, Speedway, and Prologis to be consummated.

NOW, THEREFOR, the Parties to this Memorandum of Understanding agree as follows:

1. IEUA agrees that it will not provide direct connection sewer service to the Affected Properties should a change in land use or zoning occur in the future prompting a request for new or additional wastewater service connections;
2. IEUA shall not oppose the City imposed requirement of a pre-annexation agreement as a condition to sewer service for the Affected Properties should a change in land use or zoning occur resulting in a request for new or expanded sewer service;
3. Any new sewer connections to the Affected Properties associated with a change in land use or zoning, shall connect through the City's sewer system;
4. The City shall not require CSI, Speedway, or Prologis, or any current owners of the Affected Properties to execute a pre-annexation agreement with the City in order to obtain wastewater service connections with IEUA under the pending agreements referred to herein;
5. IEUA has commissioned a 2015 study entitled Regional Unsewered Area Study, which is underway and will focus on the identification of all unsewered properties within its service area, the cost of connecting those facilities to the Regional Sewer System and the prioritization for implementation. Areas within City's sphere of influence depicted in Exhibit B attached hereto are included in the study.
6. This Agreement shall be binding upon the Parties, their agents, representatives, successors, and assignees. Except as otherwise provided in this Agreement, all representations, warranties, and covenants set forth in this Agreement shall be deemed continuing and shall survive the execution date of this Agreement.

This Memorandum of Understanding shall remain in full force and effect for a term of sixty (60) years from its effective date.

"IEUA"

INLAND EMPIRE UTILITIES AGENCY,
a California Municipal Water District

DATED: _____

By: _____

Name:

Its: Chief Executive Officer

“Approved as to Form:”

Jean Cihigoyenatche, Esq.
General Counsel

“CITY”

CITY OF FONTANA

DATED: _____

By: _____
Name: _____
Name: _____
Its: _____

“Approved as to Form:”

Print Name: _____
Attorney for City of Fontana

Exhibit A – Affected Parties

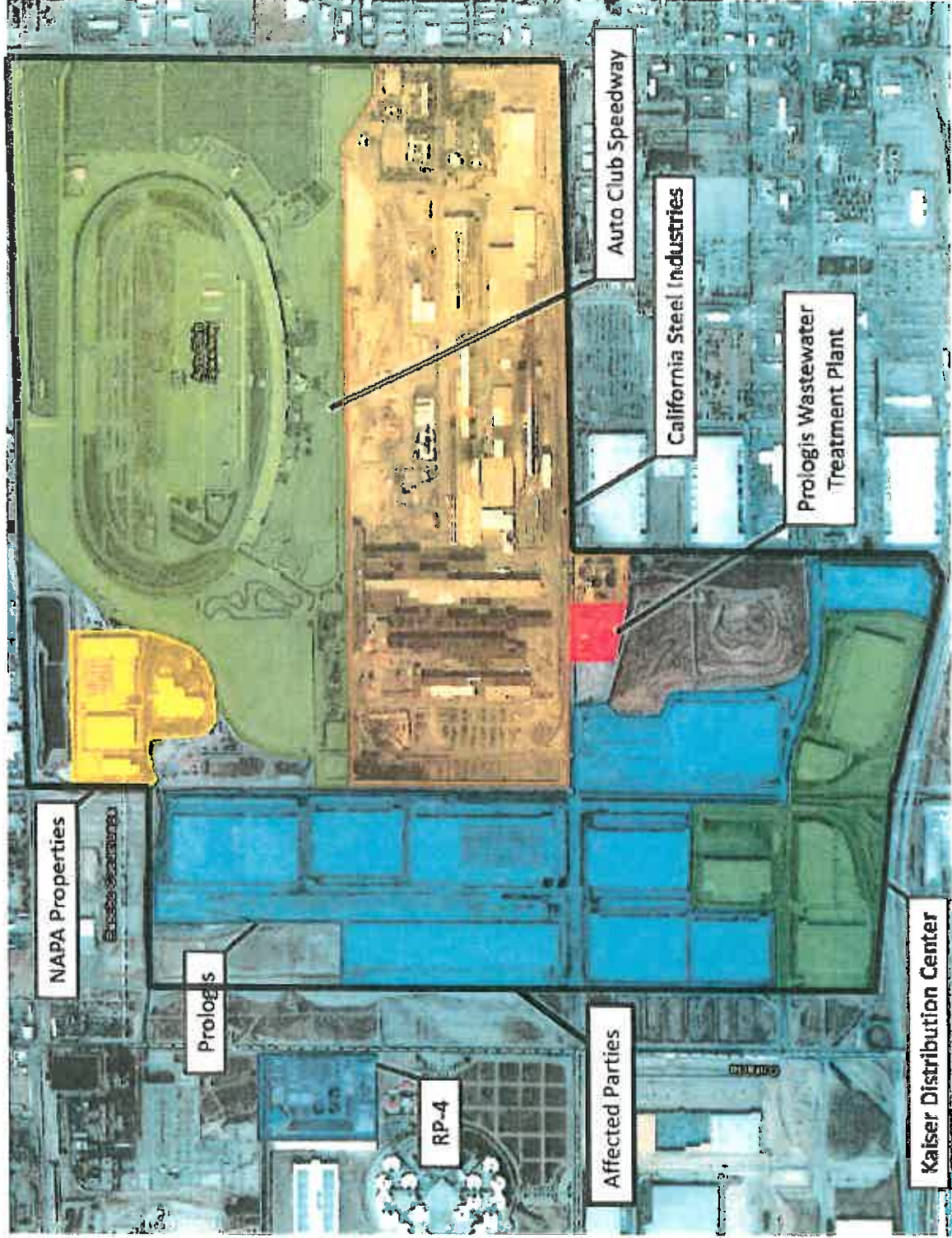
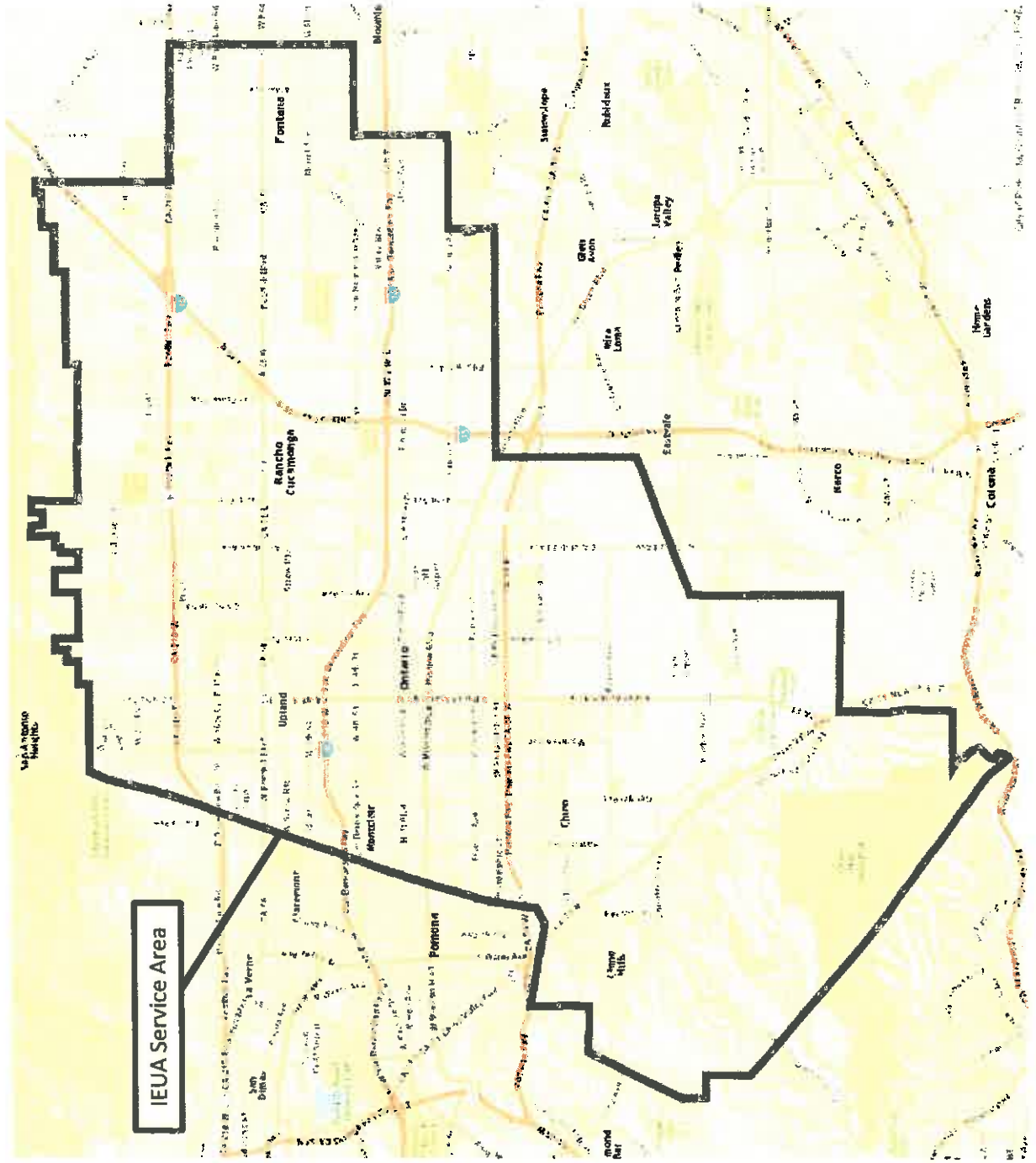


Exhibit B – Unsewered Area Study



**ACTION
ITEM
1C**

Date: August 19, 2015

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee (8/12/15)
Public, Legislative Affairs, and Water Resources Committee (8/12/15)
Finance, Legal, and Administration Committee (8/12/15)

From: P. Joseph Grindstaff
General Manager

Submitted by: Chris Berch
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee
Manager of Planning and Environmental Resources

Subject: Contract Award for Program Environmental Impact Report for Planning Documents

RECOMMENDATION

It is recommended that the Board of Directors:

1. Award a professional service contract for the preparation of a Program Environmental Impact Report (PEIR) to Tom Dodson and Associates (TDA), for a not-to-exceed amount of \$330,000; and
2. Authorize the General Manager to execute the contract.

BACKGROUND

The Agency has recently updated several planning documents, including the Wastewater Facilities Master Plan (WFMP), the Asset Management Plan (AMP), the Recycled Water Program Strategy (RWPS), the Recharge Master Plan (RMP), the Energy Management Plan (EMP), and is in the process of finalizing the Integrated Water Resources Plan (IRP). Once the planning documents have been completed, the PEIR will assess potential environmental impacts of proposed projects and will identify mitigation measures and alternatives.

The PEIR will provide a more comprehensive consideration of cumulative effects and alternatives than an individual project specific EIR, avoiding duplication of efforts, reducing paperwork, and simplifying the preparation of environmental documents for future activities.

The latest PEIR for the Wastewater Facilities Master Plan, Recycled Water Master Plan, and Organics Management Master Plan was prepared by Tom Dodson and Associates (TDA), and it was certified by the Inland Empire Utilities Agency (IEUA) Board of Directors on June 28, 2002. TDA has served as an environmental consultant to IEUA since 2000. In 2013, following a competitive solicitation, IEUA awarded TDA, and Environmental Science Associates (ESA) two separate Environmental Master Contracts for on-call environmental services.

TDA submitted a very compelling and economical PEIR proposal, due to the extensive knowledge of Agency's facilities, projects, and plans. In order to have more flexibility and more resources to meet project timelines, TDA will partner with ESA.

The proposed professional service contract for the preparation of a PEIR is consistent with the Agency's business goal of *Environmental Stewardship and Regulatory Compliance*, as approved by the Board of Directors in October 2013.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

If approved, the amount required to fund the PEIR is included in the FY 2015/16 Regional Wastewater Capital (RC) Fund budget under Project No. PL16010, CEQA document for implementation of WFMP, IRP, and RWPS.

Contract Award for Program Environmental Impact Report



Program Environmental Impact Report (PEIR)

PEIR = Framework for project-level environmental documents

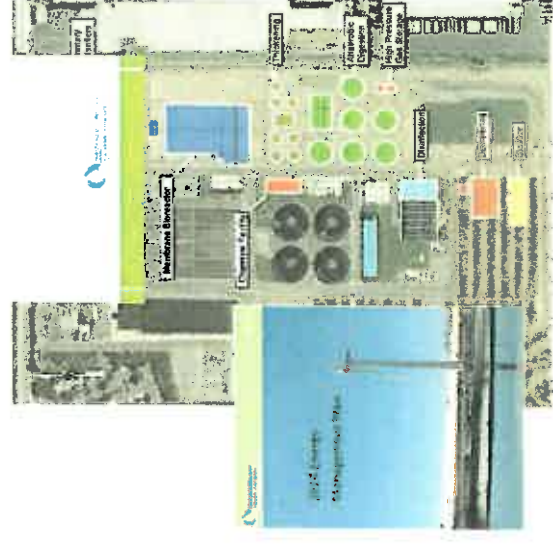
- Comprehensive consideration of cumulative impacts
- Allows program wide alternatives and mitigation at early stage
- Avoids duplication of efforts
- Reduction in paperwork
- Simplifies environmental documents for future activities
- Streamlines project implementation

Background

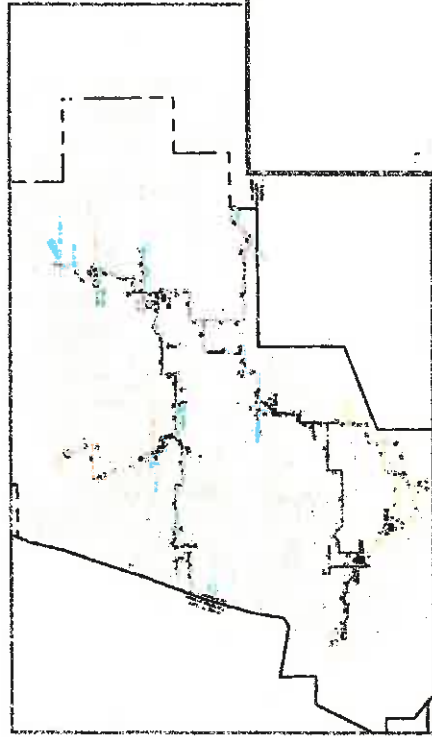
- PEIR Adopted July 2000
 - Chino Basin Watermaster's Optimum Basin Management Program
- PEIR Adopted June 2002
 - Chino Basin Organics Management Strategy, Business Plan
 - IEUA Recycled Water System Feasibility Study
 - IEUA Wastewater Facilities Master Plan

IEUA Planning Activities

- Proposed PEIR (Tom Dodson and Associates, \$330,000)
- Wastewater Facilities Master Plan
- Recycled Water Program Strategy
- Recharge Master Plan
- Asset Management Plan
- Energy Management Plan
- Integrated Resources Plan

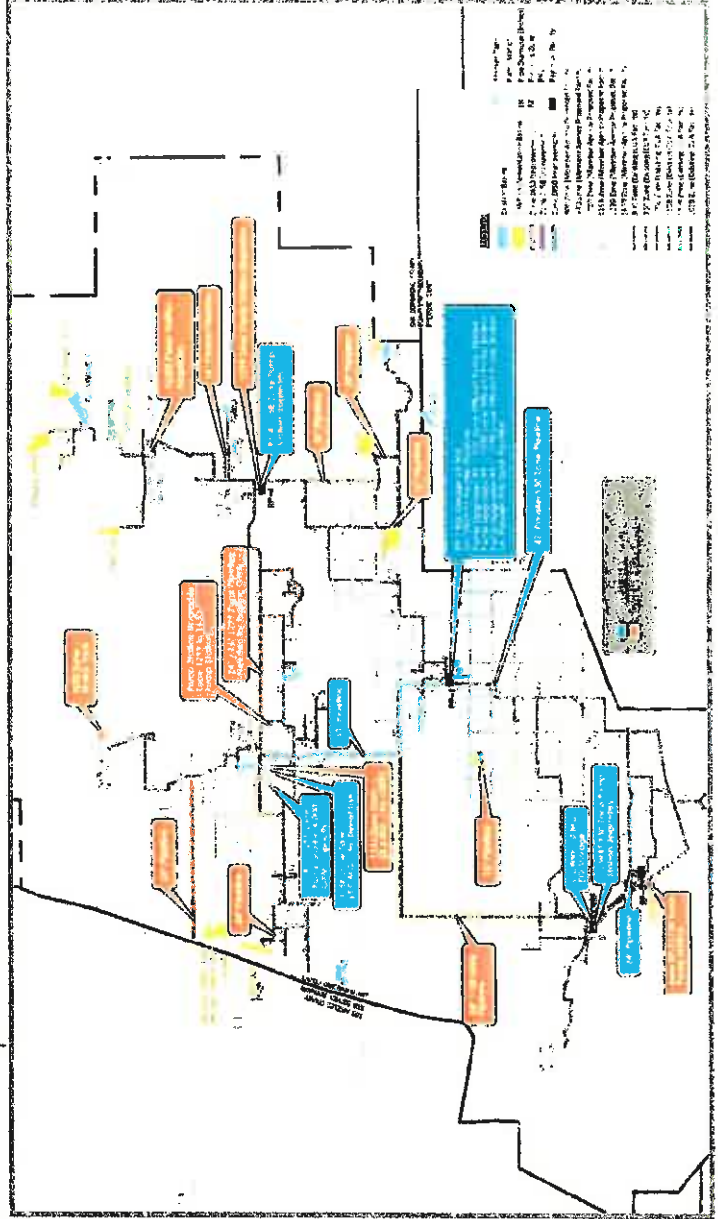


Example: Recycled Water Program Strategy



Existing RW System (2015)

Proposed RW System Improvements (2035)



PEIR Next Steps

- Complete IRP Fall 2015
- Complete PEIR Summer 2016
- Adopt PEIR Fall 2016
- Implement TYCIP projects 2015 - 2024

This project meets the Agency's Business Goal of Environmental Stewardship, by ensuring compliance with all federal, state and local laws.

Questions



CONTRACT NUMBER: 4600001954
FOR
FACILITIES MASTER PLANS
PROGRAM ENVIRONMENTAL IMPACT REPORT

THIS CONTRACT (the "Contract"), is made and entered into this _____ day of _____, 2015, by and between the Inland Empire Utilities Agency, a Municipal Water District, organized and existing in the County of San Bernardino under and by virtue of the laws of the State of California (hereinafter referred to interchangeably as "IEUA" and "Agency") and Tom Dodson & Associates, Inc. with offices located in San Bernardino, California (hereinafter referred to as "Consultant"), to provide consulting environmental services for the preparation of a Program Environmental Impact Report (PEIR).

NOW, THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties agree as follows:

1. **PROJECT MANAGER ASSIGNMENT:** All technical direction related to this Contract shall come from the designated Project Manager. Details of the Agency's assignment are listed below.

Project Manager: Pietro Cambiaso, P.E., Senior Engineer
Address: 6075 Kimball Avenue, Building A
Chino, California 91708-9174
Telephone: (909) 993-1639
Email: pcambiaso@ieua.org
Facsimile: (909) 993-1983

2. **CONSULTANT ASSIGNMENT:** Special inquiries related to this Contract and the effects of this Contract shall be referred to the following:

Consultant: Tom Dodson and Associates
Project Manager: Tom Dodson, President
Address: 2150 N. Arrowhead Avenue
San Bernardino, California 92405
Telephone: (909) 882-3612
Email: tda@tdaenv.com
Facsimile: (909) 882-7015

3. **ORDER OF PRECEDENCE:** The documents referenced below represent the Contract Documents. Where any conflicts exist between the General Terms and Conditions, or addenda attached, then the governing order of precedence shall be as follows:
- A. Amendments to Contract 4600001954.
 - B. Contract Number 4600001954, General Terms and Conditions.
 - C. Agency's Request for Proposal and all germane correspondence, incorporated herein by this reference.
 - D. Consultant's proposal dated July 27, 2015 which is attached hereto, incorporated herein and made a part hereof by this reference as **Exhibit A**.
4. **SCOPE OF WORK AND SERVICES:** Consultant services and responsibilities shall include and be in accordance with tasks identified in Consultant's proposal, which is attached hereto, incorporated herein and made a part hereof by this reference as **Exhibit A**. During the development of the Programmatic Environmental Impact Report (PEIR) Consultant shall review, but not be limited to, the following Agency documents:
- A. Wastewater Facilities Master Plan
 - B. Recycled Water Program Strategy
 - C. Recharge Master Plan
 - D. Asset Management Plan
 - E. Energy Management Plan
 - F. Integrated Resources Plan
5. **TERM:** The term of this Contract shall extend from the date of the Notice to Proceed and terminate on December 31, 2016, unless agreed to by both parties, reduced to writing, and amended to this Contract.
6. **COMPENSATION:** The Agency shall pay Consultant's properly-executed invoices, subsequent to approval by the Project Manager, within thirty (30) calendar days following receipt of the invoice. Payment will be withheld for any service which does not meet the requirements of this Contract or has proven unacceptable until such service is revised, resubmitted, and accepted by the Project Manager.

As compensation for work performed under this Contract, Agency shall pay Consultant the **NOT-TO-EXCEED** maximum of \$328,840.60 in accordance with **Exhibit A**.

Consultant's invoice must be submitted according to milestones achieved by Consultant and accepted by the Agency's Project Manager, and shall include a breakdown by items completed, all associated labor categories provided, labor hours supplied and associated hourly rates, dates worked, the current monthly amount due, and the cumulative amount invoiced to-date against this Contract, using the Agency's standard Excel-based invoicing template **Exhibit B**. Invoice shall not be submitted in advance and shall not be dated earlier than the actual date of submittal.

All invoices shall be submitted electronically with all required back-up to apgroup@ieua.org .

Payment shall be made according to milestones achieved by Consultant and accepted by the Agency's Project Manager.

6. **CONTROL OF THE WORK:** Consultant shall perform the Work in compliance with the Work Schedule. If performance of the Work falls behind schedule, the Consultant shall accelerate the performance of the Work to comply with the Work Schedule as directed by the Project Manager. If the nature of the Work is such that Consultant is unable to accelerate the Work, Consultant shall promptly notify the Project Manager of the delay, the causes of the delay, and submit a proposed revised Work Schedule.

8. **FITNESS FOR DUTY:**

A. **Fitness:** Consultant and its subconsultants personnel on the Jobsite:

1. Shall report for work in a manner fit to do their job;
2. Shall not be under the influence of or in possession of any alcoholic beverages or of any controlled substance (except a controlled substance as prescribed by a physician so long as the performance or safety of the Work is not affected thereby); and
3. Shall not have been convicted of any serious criminal offense which, by its nature, may have a discernible adverse impact on the business or reputation of Agency.

B. **Compliance:** Consultant shall advise all Consultant and subconsultant personnel and associated third parties of the requirements of this Contract ("Fitness for Duty Requirements") before they enter on the Jobsite and shall immediately remove from the Jobsite any employee determined to be in violation of these requirements. Consultant shall impose these requirements on its subconsultants. Agency may cancel the Contract if Consultant violates these Fitness for Duty Requirements.

1. **INSURANCE:** During the term of this Contract, the Consultant shall maintain at Consultant's sole expense, the following insurance.

A. **Minimum Scope of Insurance:**

1. **General Liability:** \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number GL 0001-87 covering Comprehensive General Liability. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location, or the general aggregate limit shall be twice the required single occurrence limit.
2. **Automobile Liability:** \$1,000,000 combined single limit per accident for bodily injury and property damage. Coverage shall be at least as broad as Insurance Services

Office form number CA 00 01 87, covering Automobile Liability, including "any auto."

3. **Workers' Compensation and Employers Liability:** Workers' compensation limits as required by the Labor Code of the State of California and employers Liability limits of \$1,000,000 per accident.
 4. **Professional Liability Insurance** in the amount of \$1,000,000 per occurrence.
- B. **Deductibles and Self-Insured Retention:** Any deductibles or self-insured retention must be declared to and approved by the Agency. At the option of the Agency, either: the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the Agency, its officers, officials, employees and volunteers; or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- C. **Other Insurance Provisions:** The policies are to contain, or be endorsed to contain, the following provisions:
1. **General Liability and Automobile Liability Coverage**
 - a. The Agency, its officers, officials, employees, volunteers, property owners and any engineers under contract to the Agency are to be covered as insureds, endorsements GL 20 11 07 66, CG2010 1185 and/or CA 20 01 (Ed. 0178), as respects: liability arising out of activities performed by or on behalf of the Consultant, products and completed operations of the Consultant, premises owned, occupied or used by the Consultant, or automobiles owned, leased, hired or borrowed by the Consultant. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, its officers, officials, employees or volunteers.
 - b. The Consultant's insurance coverage shall be primary insurance as respects the Agency, its officer, officials, employees and volunteers. Any insurance or self-insurance maintained by the Agency, its officers, officials, employees, or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
 - c. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Agency, its officers, officials, employees or volunteers.
 - d. The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
 - e. The Consultant may satisfy the limit requirements in a single policy or multiple policies. Any Such additional policies written as excess insurance

shall not provide any less coverage than that provided by the first or primary policy.

2. **Workers' Compensation and Employers Liability Coverage**

The insurer shall agree to waive all rights of subrogation against the Agency, its officers, officials, employees and volunteers for losses arising from work performed by the Consultant for the Agency.

3. **All Coverages**

Each insurance policy required by this contract shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Agency.

D. **Acceptability of Insurers:** All insurance is to be placed with insurers with a Best's rating of no less than A:VII, and who are admitted insurers in the State of California.

E. **Verification of Coverage:** Consultant shall furnish the Agency with certificates of insurance and with original endorsements effecting coverage required by the Agency for themselves and all subconsultants prior to commencing work or allowing any subconsultants to commence work under any subcontract. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be approved by the Agency before work commences. The Agency reserves the right to require complete, certified copies of all required insurance policies, at any time.

F. **Submittal of Certificates:** Consultant shall submit all required certificates and endorsements to the following:

Attn. Ms. Angela Witte, Risk Representative
c/o Inland Empire Utilities Agency
P.O. Box 9020
Chino Hills, California 91709

10. **LEGAL RELATIONS AND RESPONSIBILITIES**

A. **Professional Responsibility:** The Consultant shall be responsible, to the level of competency presently maintained by other practicing professionals performing the same or similar type of work.

B. **Status of Consultant:** The Consultant is retained as an independent Consultant only, for the sole purpose of rendering the services described herein, and is not an employee of the Agency.

- C. **Observing Laws and Ordinances:** The Consultant shall keep itself fully informed of all existing and future state and federal laws and all county and city ordinances and regulations which in any manner affect the conduct of any services or tasks performed under this Contract, and of all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. The Consultant shall at all times observe and comply with all such existing and future laws, ordinances, regulations, orders and decrees, and shall protect and indemnify, as required herein, the Agency, its officers and employees against any claim or liability arising from or based on the violation of any such law, ordinance, regulation, order or decree, whether by the Consultant or its employees.
- D. **Subcontract Services:** Any subcontracts for the performance of any services under this Contract shall be subject to the written approval of the Project Manager.
- E. **Hours of Labor:** The Consultant shall comply with all applicable provisions of California Labor Code Sections 1810 to 1817 relating to working hours. The Consultant shall, as a penalty to the Agency, forfeit \$25.00 for each worker employed in the execution of the Contract by the Consultant or by any subconsultants for each calendar day during which such worker is required or permitted to work more than eight (8) hours in any one (1) calendar day and forty (40) hours in any one (1) calendar week in violation of the provisions of the Labor Code.
- F. **Travel and Subsistence Pay:** The Consultant shall make payment to each worker for travel and subsistence payments which are needed to execute the work and/or service, as such travel and subsistence payments are defined in the applicable collective bargaining agreements with the worker.
- G. **Liens:** Consultant shall pay all sums of money that become due from any labor, services, materials or equipment furnished to Consultant on account of said services to be rendered or said materials to be furnished under this Contract and that may be secured by any lien against the Agency. Consultant shall fully discharge each such lien at the time performance of the obligation secured matures and becomes due.
- H. **Conflict of Interest:** No official of the Agency who is authorized in such capacity and on behalf of the Agency to negotiate, make, accept or approve, or to take part in negotiating, making, accepting or approving this Contract, or any subcontract relating to services or tasks to be performed pursuant to this Contract, shall become directly or indirectly personally interested in this Contract.
- I. **Equal Opportunity and Unlawful Discrimination:** During the performance of this Contract, the Consultant shall not unlawfully discriminate against any employee or employment applicant because of race, color, religion, sex, age, marital status, ancestry, physical or mental disability, sexual orientation, veteran status or national origin. The Agency is committed to creating and maintaining an environment free from harassment and discrimination. To accomplish these goals the Agency has established procedures regarding the implementation and enforcement of the Agency's Harassment Prohibition and Equal Employment Opportunity commitments. Please refer to Agency Policies A-29 (Equal Employment Opportunity) and A-30 Harassment Prohibition for detailed information or contact the Agency's Human Resources Administrator. A copy of either of these

Policies can be obtained by contacting the Project Manager for your respective Contract. Please advise any of your staff that believes they might have been harassed or discriminated against while on Agency property, to report said possible incident to either the Project Manager, or the Agency's Human Resources Administrator. Please be assured that any possible infraction shall be thoroughly investigated by the Agency.

- J. **Non-Conforming Work and Warranty:** Consultant represents and warrants that the Work and Documentation shall be adequate to serve the purposes described in the Contract. For a period of not less than one (1) year after acceptance of the completed Work, Consultant shall, at no additional cost to Agency, correct any and all errors in and shortcomings of the Work or Documentation, regardless of whether any such errors or shortcoming is brought to the attention of Consultant by Agency, or any other person or entity. Consultant shall within three (3) calendar days, correct any error or shortcoming that renders the Work or Documentation dysfunctional or unusable and shall correct other errors within thirty (30) calendar days after Consultant's receipt of notice of the error. Upon request of Agency, Consultant shall correct any such error deemed important by Agency in its sole discretion to Agency's continued use of the Work or Documentation within seven (7) calendar days after Consultant's receipt of notice of the error. If the Project Manager rejects all or any part of the Work or Documentation as unacceptable and agreement to correct such Work or Documentation cannot be reached without modification to the Contract, Consultant shall notify the Project Manager, in writing, detailing the dispute and reason for the Consultant's position. Any dispute that cannot be resolved between the Project Manager and Consultant shall be resolved in accordance with the provisions of this Contract.

The total amount of all claims the Agency may have against the Consultant under this Contract or arising from the performance or non-performance of the Work under any theory of law, including but not limited to claims for negligence, negligent misrepresentation and breach of contract, shall be strictly limited to the lesser of the fees or \$500,000. As the Agency's sole and exclusive remedy under this Contract any claim, demand or suit shall be directed and/or asserted only against the Consultant and not against any of the Consultant's employees, officers or directors.

The Consultant's liability with respect to any claims arising out of this Contract shall be absolutely limited to direct damages arising out of the Work and the Consultant shall bear no liability whatsoever for any consequential loss, injury or damage incurred by the Agency, including but not limited to, claims for loss of use, loss of profits and loss of markets.

K. **Disputes:**

1. All disputes arising out of or in relation to this Contract shall be determined in accordance with this section. The Consultant shall pursue the work to completion in accordance with the instruction of the Agency's Project Manager notwithstanding the existence of dispute. By entering into this Contract, both parties are obligated, and hereby agree, to submit all disputes arising under or relating to the Contract, which remain unresolved after the exhaustion of the procedures provided herein, to

independent arbitration. Except as otherwise provided herein, arbitration shall be conducted under California Code of Civil Procedure Sections 1280, et. seq, or their successor.

2. Any and all disputes during the pendency of the work shall be subject to resolution by the Agency Project Manager and the Consultant shall comply, pursuant to the Agency Project Manager instructions. If the Consultant is not satisfied with any such resolution by the Agency Project Manager, they may file a written protest with the Agency Project Manager within seven (7) calendar days after receiving written notice of the Agency's decision. Failure by Consultant to file a written protest within seven (7) calendar days shall constitute waiver of protest, and acceptance of the Agency Project Manager's resolution. The Agency's Project Manager shall submit the Consultant's written protests to the General Manager, together with a copy of the Agency Project Manager's written decision, for his or her consideration within seven (7) calendar days after receipt of said protest(s). The General Manager shall make his or her determination with respect to each protest filed with the Agency Project Manager within ten (10) calendar days after receipt of said protest(s). If Consultant is not satisfied with any such resolution by the General Manager, they may file a written request for arbitration with the Project Manager within seven (7) calendar days after receiving written notice of the General Manager's decision.
3. In the event of arbitration, the parties hereto agree that there shall be a single neutral Arbitrator who shall be selected in the following manner:
 - a. The Demand for Arbitration shall include a list of five names of persons acceptable to the Consultant to be appointed as Arbitrator. The Agency shall determine if any of the names submitted by Consultant are acceptable and, if so, such person shall be designated as Arbitrator.
 - b. In the event that none of the names submitted by Consultant are acceptable to Agency, or if for any reason the Arbitrator selected in Step (a) is unable to serve, the Agency shall submit to Consultant a list of five names of persons acceptable to Agency for appointment as Arbitrator. The Consultant shall, in turn, have seven (7) calendar days in which to determine if one such person is acceptable.
 - c. If after Steps (a) and (b), the parties are unable to mutually agree upon a neutral Arbitrator, the matter of selection of an Arbitrator shall be submitted to the San Bernardino County Superior Court pursuant to Code of Civil Procedure Section 1281.6, or its successor. The costs of arbitration, including but not limited to reasonable attorneys' fees, shall be recoverable by the party prevailing in the arbitration. If this arbitration is appealed to a court pursuant to the procedure under California Code of Civil Procedure Section 1294, et. seq., or their successor, the costs of arbitration shall also include court costs associated with such appeals, including but not limited to

reasonable attorneys' fees which shall be recoverable by the prevailing party.

4. **Joinder in Mediation/Arbitration:** The Agency may join the Consultant in mediation or arbitration commenced by a contractor on the Project pursuant to Public Contracts Code Sections 20104 et seq. Such joinder shall be initiated by written notice from the Agency's representative to the Consultant.
11. **INDEMNIFICATION:** Consultant shall indemnify the Agency, its directors, employees and assigns, and hold them harmless from all liabilities, demands, actions, claims, losses and expenses, including reasonable attorneys' fees, which arise out of or are related to the negligence, recklessness or willful misconduct of the Consultant, its directors, employees, agents and assigns, in the performance of work under this contract.
12. **OWNERSHIP OF MATERIALS AND DOCUMENTS/CONFIDENTIALITY:** The Agency retains ownership of any and all partial or complete reports, drawings, plans, notes, computations, lists, and/or other materials, documents, information, or data ("Work Product") prepared by the Consultant and/or the Consultant's subconsultants pertaining to this Contract upon full payment of all monies owed to the Consultant. Said materials and documents are confidential and shall be available to the Agency from the moment of their preparation, and the Consultant shall deliver same to the Agency whenever requested to do so by the Project Manager and/or Agency. The Consultant agrees that same shall not be made available to any individual or organization, private or public, without the prior written consent of the Agency.
13. **TITLE AND RISK OF LOSS:**
 - A. **Documentation:** Title to the Documentation shall pass to Agency when prepared; however, a copy may be retained by Consultant for its records and internal use. Consultant shall retain such Documentation in a controlled access file, and shall not reveal, display or disclose the contents of the Documentation to others without the prior written authorization of Agency or for the performance of Work related to the project.
 - B. **Material:** Title to all Material, field or research equipment, and laboratory models, procured or fabricated under the Contract shall pass to Agency when procured or fabricated, and such title shall be free and clear of any and all encumbrances. Consultant shall have risk of loss of any Material or Agency-owned equipment of which it has custody.
 - C. **Disposition:** Consultant shall dispose of items to which Agency has title as directed in writing by the Agreement Administrator and/or Agency.
14. **PROPRIETARY RIGHTS:**
 - A. **Rights and Ownership:** Agency's rights to inventions, discoveries, trade secrets, patents, copyrights, and other intellectual property, including the Information and Documentation, and revisions thereto (hereinafter collectively referred to as "Proprietary Rights"), used or

developed by Consultant in the performance of the Work, shall be governed by the following provisions:

Proprietary Rights conceived, developed, or reduced to practice by Consultant in the performance of the Work shall be the property of Agency, and Consultant shall cooperate with all appropriate requests to assign and transfer same to Agency.

If Proprietary Rights conceived, developed, or reduced to practice by Consultant prior to the performance of the Work are used in and become integral with the Work or Documentation, or are necessary for Agency to have complete enjoyment of the Work or Documentation, Consultant shall grant to Agency a non-exclusive, irrevocable, royalty-free license, as may be required by Agency for the complete enjoyment of the Work and Documentation, including the right to reproduce, correct, repair, replace, maintain, translate, publish, use, modify, copy or dispose of any or all of the Work and Documentation and grant sublicenses to others with respect to the Work and Documentation.

If the Work or Documentation includes the Proprietary Rights of others, Consultant shall procure, at no additional cost to Agency, all necessary licenses regarding such Proprietary Rights so as to allow Agency the complete enjoyment of the Work and Documentation, including the right to reproduce, correct, repair, replace, maintain, translate, publish, use, modify, copy or dispose of any or all of the Work and Documentation and grant sublicenses to others with respect to the Work and Documentation. All such licenses shall be in writing and shall be irrevocable and royalty-free to Agency.

B. No Additional Compensation: Nothing Set forth in this Contract shall be deemed to require payment by Agency to Consultant of any compensation specifically for the assignments and assurances required hereby, other than the payment of expenses as may be actually incurred by Consultant in complying with this Contract.

15. INFRINGEMENT: Consultant represents and warrants that the Work and Documentation shall be free of any claim of trade secret, trade mark, trade name, copyright, or patent infringement or other violations of any Proprietary Rights of any person.

Consultant shall indemnify and hold harmless Agency, its officers, directors, employees, successors, assigns, and servants free and harmless from any and all liability, damages, losses, claims, demands, actions, causes of action, and costs including reasonable attorney's fees and expenses arising out of any claim that use of the Work or Documentation infringes upon any trade secret, trade mark, trade name, copyright, patent, or other Proprietary Rights.

Consultant shall, at its expense and at Agency's option, refund any amount paid by Agency under the Contract, or exert its reasonable efforts to procure for Agency the right to use the Work and Documentation, to replace or modify the Work and Documentation as approved by Agency so as to obviate any such claim of infringement.

16. NOTICES: Any notice may be served upon either party by delivering it in person, or by depositing it in a United States Mail deposit box with the postage thereon fully prepaid, and addressed to the party at the address set forth below:

Agency: Mr. Warren T. Green
Manager of Contracts and Facilities Services
Inland Empire Utilities Agency
P.O. Box 9020
Chino Hills, California 91709

Consultant: Mr. Tom Dodson
Principal, Tom Dodson and Associates
2150 N. Arrowhead Avenue
San Bernardino, CA 92405

Any notice given hereunder shall be deemed effective in the case of personal delivery, upon receipt thereof, or, in the case of mailing, at the moment of deposit in the course of transmission with the United States Postal Service.

17. **SUCCESSORS AND ASSIGNS:** All of the terms, conditions and provisions of this Contract shall inure to the benefit of and be binding upon the Agency, the Consultant, and their respective successors and assigns. Notwithstanding the foregoing, no assignment of the duties or benefits of the Consultant under this Contract may be assigned, transferred or otherwise disposed of without the prior written consent of the Agency; and any such purported or attempted assignment, transfer or disposal without the prior written consent of the Agency shall be null, void and of no legal effect whatsoever.
18. **PUBLIC RECORDS POLICY:** Information made available to the Agency may be subject to the California Public Records Act (Government Code Section 6250 et seq.) The Agency's use and disclosure of its records are governed by this Act. The Agency shall use its best efforts to notify Consultant of any requests for disclosure of any documents pertaining to Consultant.

In the event of litigation concerning disclosure of information Consultant considers exempt from disclosure; (e.g., Trade Secret, Confidential, or Proprietary) Agency shall act as a stakeholder only, holding the information until otherwise ordered by a court or other legal process. If Agency is required to defend an action arising out of a Public Records Act request for any of the information Consultant has marked "Confidential," "Proprietary," or "Trade Secret," Consultant shall defend and indemnify Agency from all liability, damages, costs, and expenses, including attorneys' fees, in any action or proceeding arising under the Public Records Act.
19. **RIGHT TO AUDIT:** The Agency reserves the right to review and/or audit all Consultant's records related to the Work. The option to review and/or audit may be exercised during the term of the Contract, upon termination, upon completion of the Contract, or at any time thereafter up to twelve (12) months after final payment has been made to Consultant. The Consultant shall make all records and related documentation available within three (3) working days after said records are requested by the Agency.
20. **INTEGRATION:** The Contract Documents represent the entire Contract of the Agency and the Consultant as to those matters contained herein. No prior oral or written understanding shall be

of any force or effect with respect to those matters covered by the Contract Documents. This Contract may not be modified, altered or amended except by written mutual agreement by the Agency and the Consultant.

21. **GOVERNING LAW:** This Contract is to be governed by and constructed in accordance with the laws of the State of California.
22. **TERMINATION FOR CONVENIENCE:** The Agency reserves and has the right to immediately suspend, cancel or terminate this Contract at any time upon written notice to the Consultant. In the event of such termination, the Agency shall pay Consultant for all authorized and Consultant-invoiced services up to the date of such termination.
23. **FORCE MAJEURE:** Neither party shall hold the other responsible for the effects of acts occurring beyond their control; e.g., war, riots, strikes, natural disasters, etcetera.
24. **NOTICE TO PROCEED:** No services shall be performed or furnished under this Contract unless and until this document has been properly signed by all responsible parties and a Notice to Proceed order has been issued to the Consultant.

IN WITNESS WHEREOF, the parties hereto have caused the Contract to be entered as of the day and year written above.

INLAND EMPIRE UTILITIES AGENCY: TOM DODSON & ASSOCIATES, INC.:

Warren T. Green
Manager of Contracts
and Facilities Services

(Date)

Tom Dodson
Principal

(Date)

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Exhibit A

TOM DODSON & ASSOCIATES
2150 N. ARROWHEAD AVENUE
SAN BERNARDINO, CA 92405
TEL (909) 882-3612 • FAX (909) 882-7015
E-MAIL tda@tdaenv.com



July 27, 2015

Mr. Pietro Cambiaso
Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, California 91708

Dear Pietro:

On behalf of Tom Dodson & Associates (TDA) and ESA Water (ESA) I am forwarding the proposal to the Inland Empire Utilities Agency (IEUA or the Agency) for preparation of a program environmental impact report (PEIR) for a series of new Master Plans recently completed by the Agency. Over the past twelve years IEUA has relied upon the 2003 Facilities Master Plans PEIR to support acquisition of state and federal funding for a large variety of water and wastewater projects. IEUA has updated several of these original planning documents and expanded the range of master plans. To implement these new plans will require a new PEIR.

TDA and ESA have compiled the attached task proposal and cost estimate to compile and assist IEUA to process the proposed PEIR in support of the new Master Plans. We have allocated sufficient resources to carry out this task over the next nine months or so. Mr. Tom Barnes (ESA) and I appreciate the remarkable opportunity afforded our firm's in providing this support to the Agency. We look forward to "jumping" into this long-anticipated effort. Should you have any questions, please do not hesitate to contact my office.

A handwritten signature in blue ink that reads "Tom Dodson". The signature is written in a cursive, slightly slanted style.

Tom Dodson
Attachment

cc: Tom Barnes
Sylvie Lee
Robert Wallin

TOM DODSON & ASSOCIATES
2150 N. ARROWHEAD AVENUE
SAN BERNARDINO, CA 92405
TEL (909) 882-3612 • FAX (909) 882-7015
E-MAIL tda@tdaenv.com



2015 FEE SCHEDULE

Tom Dodson & Associates

Labor: Time spent on behalf of a client will be charged as follows:

Environmental Specialist	\$150.00 / hour
Regulatory Specialist	\$105.00 / hour
Biologist / Ecologist	\$105.00 / hour
Environmental Specialist II	\$105.00 / hour
Environmental Specialist III	\$72.00 / hour
Biologist II	\$58.00 / hour
Biologist III	\$53.00 / hour
Admin / WP / Graphics	\$48.00 / hour
Legal Expert Witness	\$225.00 / hour

Other Direct Costs: All other direct costs (travel, supplies, printing, subcontracts, etc.) are charged at actual cost plus a 10 percent management/handling charge. Mileage will be billed at \$0.56 per mile.



Environmental Science Associates & Subsidiaries 2015 Schedule of Fees

I. Personnel Category Rates

Charges will be made at the Category hourly rates set forth below for time spent on project management, consultation or meetings related to the project, field work, report preparation and review, travel time, etc. Time spent on projects in litigation, in depositions and providing expert testimony will be charged at the Category rate times 1.5.

Labor Category	Level I	Level II	Level III
Senior Director	225	240	255
Director	190	205	215
Managing Associate	155	170	185
Senior Associate	130	140	150
Associate	95	110	120
Project Technicians	75	90	110

- (a) The range of rates shown for each staff category reflects ESA staff qualifications, expertise and experience levels. These rate ranges allow our project managers to assemble the best project teams to meet the unique project requirements and client expectations for each opportunity.
- (b) From time to time, ESA retains outside professional and technical labor on a temporary basis to meet peak workload demands. Such contract labor may be charged at regular Employee Category rates.
- (c) ESA reserves the right to revise the Personnel Category Rates annually to reflect changes in its operating costs.

II. ESA Expenses

A. Travel Expenses

1. Transportation
 - a. Company vehicle – IRS mileage reimbursement rate
 - b. Common carrier or car rental – actual multiplied by 1.15
2. Lodging, meals and related travel expenses – direct expenses multiplied by 1.15

B. Communications Fee

In-house costs for phone, e-mail, fax, regular postage, walk-up copier, and records retention – project labor charges multiplied by 3%

C. Printing/Reproduction Rates

Item	Rate/page
8 1/2 x 11 b/w	\$0.05
11 x 17 b/w	\$0.10
8 1/2 x 11 color	\$1.00
11 x 17 color	\$2.00
Covers	\$0.50
Binding	\$1.00
HP Plotter	\$25.00
CD	\$10.00
Digital Photography	\$20.00 (up to 50 images)

D. Equipment Rates

Item	Rate/Day	Rate/Week	Rate/Month
Project Specific Equipment:			
Vehicles – Standard size	\$ 40 ^a	\$ 180	
Vehicles – 4x4 /Truck	85		
Vehicles – ATV	125		
Laptop Computers	50	200	\$ 500
LCD Projector	200	600	
Noise Meter	50		
Electrofisher	300	1,200	
Sample Pump	25		
Field Traps	40		
Digital Planimeter	40		
Cameras/Video/Cell Phone	20		200
Miscellaneous Small Equipment	5		
Computer Time (i.e. GIS)	120 ^b		
Stilling Well / Coring Pipe (3 inch aluminum)	3/ft		
Backpack Sprayer	25		
Beach Seine	50		
Otter Trawl	100		
Wildlife Acoustics Bat Detector	125	400	
Topographic Survey Equipment:			
Auto Level	40		
Total Station	200	600	
RTK-GPS	300	1,200	
RTK-GPS Smartnet Subscription	50	200	
Trimble GPS	75	350	900
Tablet GPS	100	400	1,000
Laser Level	60		
Garmin GPS or equivalent	25		250
Hydrologic Data Collection, Water Current, Level and Wave Measurement Equipment:			
ISCO 2150 Area Velocity Flow Logger	\$ 25	\$ 100	\$ 400
Logging Rain Gage	10	40	125
Marsh-McBirney Hand-Held Current Meter	50	200	
FloWav Surface Velocity Radar	50	200	

Item	Rate/Day	Rate/Week	Rate/Month
Logging Water Level - Pressure Transducer	10	40	125
Logging Barometric Pressure Logger	10	40	125
Well Probe	20	80	
Bottom-Mounted Tripod / Mooring	25	100	400
Handheld Suspended Sediment Sampler	20		250
Water Quality Equipment:			
Logging Turbidimeter/Water Level Recorder	\$ 25	\$ 100	\$ 400
In-Situ Troll 9500 logging water quality multiprobe		200	800
Logging Temperature Probe	3	10	40
Hach Hand-Held Turbidimeter Recording Conductivity Meter w/Datalogger	50	200	
Refractometer	20	80	
YSI Hand-Held Salinity Meter or pH meter	30	120	
Hand-Held Conductivity/Dissolved Oxygen Probe (YSI 85)	40	160	
Water Quality Sonde			800
YSI 650 with 6920 Multi Probe	180	500	1500
ISCO 6712 Portable Sampler w/ISCO 2105 Module	40	250	900
Sedimentation / Geotechnical Equipment:			
Peat Corer	\$ 75	\$ 300	
60lb Helly-Smith Bedload Sampler with Bridge Crane	175	700	
Suspended Sediment Sampler with Bridge Crane	75	300	
Vibra-core	100	400	
Shear Strength Vane	50	200	
Auger (brass core @ \$ 5/each)	20	80	
Boats:			
14 foot Aluminum Boats with 15 HP Outboard Motor	\$ 100	\$ 400	
Single or Double Person Canoe	30	120	
17' Boston Whaler w/ 90 HP Outboard	500	2,000	
^a Actual project charges will be either the IRS mileage reimbursement rate or the daily rate, whichever is higher. ^b GIS computer time will be charged at \$15.00 per hour.			

III. Subcontracts

Subcontract services will be invoiced at cost multiplied by 1.15.

IV. Other

There shall be added to all charges set forth above amounts equal to any applicable sales or use taxes legally levied in lieu thereof, now or hereinafter imposed under the authority of a federal, state, or local taxing jurisdiction.

I. INTRODUCTION

In 2013 Tom Dodson & Associates (TDA) and ESA Water (ESA) were selected to provide environmental compliance support for Inland Empire Utilities Agency (IEUA or Agency). IEUA has requested that we submit a proposal to update the Facilities Master Plans Program Environmental Impact Report (PEIR) which was prepared by TDA in 2002-2003 and certified by IEUA in 2003. This PEIR has served as the baseline environmental document for projects implemented by IEUA in the area of wastewater treatment, biosolids and recycled water over the past 12-year period. IEUA has prepared several new master plans and seeks to compile an updated program environmental impact report (PEIR) to establish a new baseline environmental document for compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) to support future site specific projects funded by the Agency, federal agencies or state agencies.

TDA and ESA jointly propose to compile this documentation for IEUA with ESA providing the majority of environmental support to compile a current environmental baseline for the new PEIR and conduct the environmental evaluation of the environmental issues. We will jointly prepare and process the new PEIR with IEUA and coordinate the content of the document with the U.S. Bureau of Reclamation (BOR) to ensure that it will meet their NEPA requirements. However, we do not intend to prepare a separate NEPA Environmental Impact Statement (EIS) unless required by the BOR. The proposed scope of work follows.

II. SCOPE OF WORK

The IEUA has requested environmental consulting support for completing the CEQA review process for five master plans compiled by IEUA over the past few years. Our team will provide support to carry out the following steps to comply with CEQA and NEPA requirements: prepare a project description; oversee research and preparation of technical studies and impact analyses; prepare a screencheck (administrative review draft) program PEIR for the master plans; prepare and circulate a draft PEIR for these plans, including developing all transmittal documents and a broad distribution list; prepare responses to comments submitted on the draft PEIR; compile a Final PEIR for certification; prepare a notice of determination; ensure that all CEQA procedural requirements are fulfilled; and attend meetings with the Agency as required.

Task 1: Compile the Project Description

We propose to review the master plans; abstract the key action items proposed in these plans; prepare generic construction and operation processes; and break down the action items into near and long term actions in order to establish a project hierarchy to define the level of review that will be completed in the PEIR. Details on near-term and long-term projects provided by the Master Plans will be incorporated into the Project Description. A draft project description will be submitted to IEUA and any stakeholders for review and comment. A final project description will be compiled and used for two purposes: first, to compile and distribute a Notice of Preparation of an EIR to the general public, interested parties and stakeholders; and second, the project description will be used to assist in establishing the scope of issues and areas of particular interest for the compilation of the environmental baseline information.

To review the master plans and compile the draft project description will require approximately 40 hours. Unless some unusual comments arise during the review, we anticipate approximately 16 hours to finalize the Project Description that will be used in the PEIR.

Once the Project Description is compiled we will integrate it into a Notice of Preparation (NOP) document that is used to announce a project to the public. A draft NOP will be completed; submitted to IEUA for review and comment; and we will finalize the NOP for public distribution. The NOP establishes the date of the PEIR environmental baseline and the objective is to have this as early in the process as possible. The effort to prepare and process the NOP will require about 32 hours. We will work with IEUA to produce appropriate graphics to support the NOP.

Task 2: Conduct Research and Compile Baseline Environmental Setting Data

Utilizing data generated specifically for the proposed project, the team will prepare the existing environmental setting for each of the issues being evaluated in the full scope PEIR being prepared for the new master plans. We assume that the following environmental issues (abstracted from the most current State CEQA Guidelines) will require existing or new data to be compiled as part of a technical data base that will be utilized in making the environmental impact forecasts associated with implementation of the master plans.

1. Aesthetic Resources: To characterize aesthetic issues, we will utilize the General Plans of the affected cities and the counties to describe the aesthetic resources (scenic vistas, scenic resources, and light and glare) within the project area. No special studies or investigations are proposed for the aesthetic issues. All environmental setting information in this section will be based upon existing data sources, except for those locations where specific near-term capital improvements are proposed. It is recognized that there may not be or only be a few locations where near-term new facilities are proposed, but it is our goal to incorporate sufficient data into the PEIR that such facilities can be comprehensively addressed. For these locations site specific evaluations of aesthetic resource values will be compiled.
2. Agricultural Resources: To establish the agricultural baseline information, we will utilize the General Plans of the affected cities and counties; data from the Soil Conservation Service's soil surveys for San Bernardino and Riverside Counties; data from the State Department of Conservation; and data from the other published documents that address agricultural resource issues in the Chino Basin. No special studies or investigations are proposed for agricultural resource issues. All environmental setting information in this section will be based upon existing data sources, except for those locations where specific near-term capital improvements are proposed. For these locations site specific evaluations of agricultural resources will be compiled.
3. Air Quality: Air quality data will be compiled from detailed information available through the South Coast Air Quality Management District (SCAQMD) for the existing setting. In the project description we will define anticipated programmatic construction and operational scenarios to be used for emission forecasts. Air emissions calculations will be conducted using the CalEEMod emissions model to assess emissions of typical construction activities, such as pipeline installation, tank construction, and treatment plant construction projects. Assumptions for these construction activities will be compiled. The assumptions will be focused on near-term projects and "typical" daily construction scenarios. We will incorporate data from the nearest monitoring station as is required by SCAQMD's CEQA Air Quality Handbook. An air quality technical report will be prepared that will provide the baseline emission calculations to be used in the future with specific projects before the State Water Resources Control Board or other agencies.

4. **Biological Resources:** To establish the biological resources baseline information, we will utilize the General Plans of the affected cities and counties; data from the Department of Fish and Game's Natural Diversity Data Base for San Bernardino and Riverside counties; and data from the other published documents that address biological resource issues in the Chino Basin. No special field studies or investigations are proposed for biological resource issues. All environmental setting information in this section will be based upon existing data sources, except for those locations where specific near-term capital improvements are proposed. For these locations site specific biological resource evaluations will be compiled.
5. **Cultural Resources:** To establish the cultural resources baseline information, we will utilize the General Plans of the affected cities and counties; data from the State Historic Preservation Office and the archaeological information centers for San Bernardino and Riverside Counties; previous data compiled for IEUA regional management plans; and data from the other published documents that address cultural resource issues in the Chino Basin. The new cultural resources section in the Initial Study Environmental Checklist Form will be utilized, and we will contact local Native American representative to obtain information regarding Tribal Cultural Resources. All environmental setting information in this section will be based upon existing data sources, except for those locations where specific near-term capital improvements are proposed. For these locations site specific records checks and, if necessary, cultural resource field surveys will be compiled.
6. **Geology and Soils:** To establish the geology and soils baseline information, we will utilize the data contained in the previous programmatic documents prepared for IEUA and the General Plans of the affected cities and counties; data from the State Geologist's Office and the County geologists for San Bernardino and Riverside Counties; data from the soil surveys for the two counties; and data from the other published documents that address geological resource issues in the Chino Basin. No special studies or investigations are proposed for geology and soil issues. Paleontological resource issues will be addressed now be addressed in this section of the Initial Study. All environmental setting information in this section will be based upon existing data sources, except for those locations where specific near-term capital improvements are proposed. For these locations site specific geology and soil resource field surveys will be compiled, if necessary.
7. **Greenhouse Gas/Climate Change:** In conjunction with the air quality forecast, we will generate the data to address greenhouse gas (GHG) emissions from future IEUA activities and we will also quantify the efforts by IEUA to generate energy to offset demand from the energy grids. We will evaluate the GHG issues in the context of the Southern California Association of Government's (SCAG) Regional Sustainability plans and the SCAQMD's preliminary thresholds of significance. In the project description we will define anticipated programmatic construction and operational scenarios to be used for emission forecasts.
8. **Hazards and Hazardous Materials:** Information on hazards and hazardous materials will be obtained from the County's Hazardous Waste Management Plan and city and county General Plans. The various contaminated site data bases will be reviewed for known sites within the IEUA service area and previous IEUA programmatic environmental documents will be examined as part of the data base. All environmental setting information in this section will be based upon existing data sources, except for those locations where specific near-term capital improvements are proposed. For these locations site specific evaluations of potential contamination may be conducted.

9. Hydrology and Water Quality: The data for this issue will be obtained from the previous environmental documents and IEUA technical consultants; and regional documents on surface and groundwater hydrology and water quality will also be utilized. To compile all of the required information for the hydrology and water quality issues, we do not anticipate any special studies or investigations. All environmental setting information in this section will be based upon existing data sources, except for those locations where specific near-term capital improvements are proposed. For these locations site specific evaluations, including field surveys of site hydrology will be carried out. If additional modeling is required we will coordinate this effort with IEUA and the Chino Basin Watermaster.
10. Land Use and Planning: The land use data will be compiled from detailed information available through the General Plans of the affected jurisdictions within the Chino Basin. No specific field studies or investigations will be required. For those locations where specific near-term capital improvements are proposed, we will incorporate data from field observations and, if necessary, development codes that control land uses within the various jurisdictions.
11. Mineral Resources: To establish the mineral resources baseline information, we will utilize the General Plans of the affected cities and counties; data from the State Division of Mines and Geology; data from available surface mining reclamation plans; and data from the other published documents that address mineral resource issues in the Chino Basin. No special studies or investigations are proposed for mineral resource issues. All environmental setting information in this section will be based upon existing data sources, except for those locations where specific near-term capital improvements are proposed. For these locations site specific verification of mineral resource values will be compiled.
12. Noise: The noise data will be compiled from detailed information available through the General Plans of the affected jurisdictions within the Chino Basin and special noise studies contained in other documents within the project area. No specific field studies or investigations will be required. For those locations where specific near-term capital improvements are proposed, we will incorporate data from field observations and, if necessary, will conduct noise surveys for specific project locations.
13. Population and Housing: Regional population and housing data will be compiled from detailed information available through the General Plans of the affected jurisdictions within the Chino Basin and SCAG data sources. Data from the State Department of Finance will also be utilized. Growth inducement will be addressed in this document, so we will utilize the regional planning documents, such as SCAG's growth projections and Growth Management Plan, to establish the baseline for discussing this issue. Data from the Department of Finance will also be utilized. No specific field studies or investigations will be required.
14. Public Services: Public service data will be compiled from detailed information available through the General Plans of the affected jurisdictions within the Chino Basin and contacts with respective public service entities (such as school districts) as deemed appropriate. No specific field studies or investigations will be required. For those locations where specific near-term capital improvements are proposed, we will incorporate data from field observations and, if necessary, specific service providers for the project area.
15. Recreation: Recreation resource data will be compiled from detailed information available through the General Plans and master recreation plans of the affected jurisdictions within

the Chino Basin and contacts with respective recreation providers (such as County Regional Parks), as deemed appropriate. No specific field studies or investigations will be required. For those locations where specific near-term capital improvements are proposed, we will incorporate data from field observations and, if necessary, specific recreation service providers for the project area.

16. Transportation/Traffic: Transportation/traffic data will be compiled from detailed information available through the General Plans of the affected jurisdictions within the Chino Basin, from airport master plans, and from Caltrans, as required. We will also utilize regional planning documents, such as SCAG's *Regional Mobility Plan*, to establish the baseline for discussing this issue. No specific field studies or investigations will be required. For those locations where specific near-term capital improvements are proposed, we will incorporate data from field observations and, if necessary, specific traffic data for the project area.
17. Utilities and Service Systems: Utilities and service system data will be compiled from detailed information available through the General Plans of the affected jurisdictions within the Chino Basin, master plans prepared by utility agencies, and contacts with respective utility entities (such as water purveyors) as deemed appropriate. No specific field studies or investigations will be required. For those locations where specific near-term capital improvements are proposed, we will incorporate data from field observations and, if necessary, specific utility service providers for the project area.

We will coordinate the decision for individual field review "if necessary" with the IEUA Staff. It is anticipated that the effort for incorporating the environmental setting data base for the PEIR, including review and incorporation of the technical reports, will require approximately 400-500 hours. Tom Dodson and Tom Barnes will oversee preparation of all the sections discussing the existing environment and will final edit all of the final text for this section of the PEIR. The site specific work will be covered by the above cost estimate as long as no more than ten near-term individual sites must be examined for impacts under the resource categories outlined above.

Task 3: Prepare the Environmental Impact Evaluation

We will utilize the data from the project description and first subtask to forecast potential environmental impacts from implementing the master plans, including constructing, installing and operating the proposed programs and facilities. The impact forecast will be as specific as possible for the proposed project and affected environment. Mitigation measures will be identified, as appropriate, for each environmental issue with potentially significant impacts. The impact analysis format used for this project is as follows: introduction (to the issues); environmental setting, including legal or regulatory requirements; project impacts; mitigation measures; cumulative impacts; and unavoidable adverse environmental impact (including any impacts caused by implementing mitigation measures). To the extent feasible, potential environmental effects will be quantified; however, we anticipate that some impact forecasts will be qualitative, such as discussions of aesthetic issues. TDA anticipates that the hydrology and water quality impact forecasts will be supplemented by IEUA/Watermaster hydrology/water quality consultants after close coordination between our firms.

We have allocated a total of 400 hours to this complete this subtask of preparing the impact analysis and incorporating data from the technical studies that are being prepared for the PEIR. Tom Dodson and Tom Barnes will oversee and edit all of the final text for this section of the document. This cost estimate includes site specific work on up to ten near-term facilities in accordance with commitments under Task 1.

Task 4: Prepare All Remaining EIR Sections

The CEQA mandated sections (Alternatives, Growth Inducement, and a Summary of Irreversible Environmental Impacts) will be provided under this subtask. The series of alternatives that will be evaluated in this document will be defined as part of the project description. I anticipate evaluating a no project alternative and identifying any alternative management programs identified in the master plans for consideration in the alternatives section. It is our intent to prepare a comparative alternative evaluation as outlined in the State CEQA Guidelines, Section 15126 (d). A mitigation monitoring plan will be developed under this task and it can be included in the Draft PEIR if IEUA wants it included. A total of 100 hours are allocated to this subtask.

The end product of these subtasks is the Screencheck Draft PEIR for review by the IEUA. It will be submitted to IEUA for review, comment, and approval in accordance with the schedule outlined below.

Task 5: Print and Distribute the Draft PEIR

We will meet with IEUA to collect all comments on the Screencheck draft PEIR (DPEIR). These comments will be responded to and a DPEIR for public distribution will be compiled and published for distribution. We anticipate broad distribution of the DPEIR and we anticipate supplying about 100 copies of the DPEIR for distribution and will arrange to have copies delivered to the State Clearinghouse and all parties on distribution. We anticipate publishing a second volume of technical appendices that will be available upon with the electronic copies and only a few hard copies of the DPEIR and technical Studies. We have allocated 100 hours to this task, including clerical staff support. At the end of this task, the DPEIR will be distributed for the 45-day public review and comment period.

Task 6: Prepare Responses to Comments and Final Program EIR

Following completion of the 45-day review period (note that we will meet with the IEUA upon request to discuss any comment letter that arrives before the end of the review period), we will meet with the IEUA to review proposed responses to all comments received on the DPEIR. Once general agreement on the content of responses is obtained, they will be prepared and a draft set of responses to comment will be delivered to IEUA for final review and comment. We anticipate allocating up to 150 hours of effort to this task, including several meetings with IEUA. We anticipate the responses to comments will be completed within 30 days of the close of the public comment period, barring the need to develop original data. If major new issues are raised that were previously not addressed in the DPEIR and that IEUA concludes must be addressed in the Final PEIR, we will perform additional analyses based on mutual agreement on the scope of work and a modified fee.

The end product of this effort will be a Final PEIR (FPEIR) available for certification. Sufficient copies will be published to distribute the FPEIR to all parties that comment and to provide copies for IEUA's internal use and hearings. We will assist with the distribution of these documents. These responses to comments will be prepared in a separate volume, unless IEUA requests that a combined FPEIR document be prepared for distribution. We anticipate about 40 hours will be required to complete this task.

Task 7: Prepare Notice of Determination

Following the hearing where the project is considered for approval, we will provide and file a Notice of Determination (NOD) for IEUA. The NOD will be filed with the San Bernardino and Riverside County Clerks, and with the State Clearinghouse. The fee for this task is \$4,000, which includes the approximate \$3,000 filing fee for the Department of Fish and Wildlife.

Task 8: Public Meetings/Hearings and Participation

We will attend up to three public meetings/hearings for a fee not to exceed \$5,000. This assumes two persons at each meeting/hearing and four hours per hearing. All meetings with IEUA are included in the previous tasks.

Task 9: Prepare Findings of Fact and Statement of Overriding Consideration

This is an optional task that will be performed if there are significant impacts identified in the FPEIR from implementing the proposed project that cannot be mitigated. We believe that there may be significant impacts based on our past experience with projects of this type for IEUA. We have prepared numerous findings and statement documents which we believe are effective in allowing the local jurisdictions to approve projects with significant impact. This document would be prepared by the team and requires approximately 60 hours of effort. We will work with the IEUA to define the substantiating project benefits for inclusion in the balancing test as required by the CEQA under this alternative.

III. COST PROPOSAL

Fee Schedules for TDA and ESA are attached to this package. Total fee for this programmatic EIR is calculated to be \$328,840.60.

IV. SCHEDULE

The following schedule milestones have been identified. The following represents a reasonable schedule that will be adjusted as appropriate if necessary with IEUA over the life of this task.

1. Draft Project Description: 30 days after authorization
2. Finalize Project Description: 45 days after authorization
3. Compile the Notice of Preparation 60 days after authorization
4. Initiate AB 52 consultation: 60 days after authorization
5. Complete a screencheck draft PEIR: 180 days after authorization
6. Release the draft PEIR for public review: 210 days after authorization
7. Conduct 45 day public review; close of comments day 255
8. Prepare draft responses to comments and draft final PEIR: day 285
9. Final PEIR compiled and available for public review: day 300

Exhibit B

Exhibit B CONSULTING SERVICES INVOICE

Consultant:	Pay Estimate No.:	Contract Date:	Invoice Date:
Address:	Project No.:	IEUA Project Manager:	This Period:
	Contract No.:		From:
			To:
Project Name and Location:	Account No.:	Consultant Reference No.:	

ORIGINAL CONTRACT:

Task No.	Item Description	Original Contract Value	Total This Period		Total to Date		Progress to Date
		Amount (\$)	% Complete	Amount (\$)	% Complete	Amount (\$)	% Complete
				\$0.00		\$0.00	0%
				\$0.00		\$0.00	0%
				\$0.00		\$0.00	0%
				\$0.00		\$0.00	0%
Subtotal Original Contract:		\$0.00		\$0.00		\$0.00	

CONTRACT AMENDMENTS:

Amendment No.	Amendment Description	Amended Contract Value	Total This Period		Total to Date		Progress to Date
		Amount (\$)	% Complete	Amount (\$)	% Complete	Amount (\$)	% Complete
				\$0.00		\$0.00	0%
				\$0.00		\$0.00	0%
				\$0.00		\$0.00	0%
				\$0.00		\$0.00	0%
				\$0.00		\$0.00	0%
Subtotal Contract Amendments:		\$0.00		\$0.00		\$0.00	
Total Contract with Amendments:		\$0.00		\$0.00		\$0.00	

PAYMENT SUMMARY FOR THIS PERIOD:

	Total This Period From: 1/0/2015 To: 1/0/2015
Amount Earned Original Contract	\$0.00
Amount Earned Amendments	\$0.00
Back Charges	\$0.00
Amount Due This Period	\$0.00

PRIOR PAYMENT SUMMARY:

	Total to Date From: 1/0/2015 To: 1/0/2015
Amount Earned Original Contract	\$0.00
Amount Earned Amendments	\$0.00
Back Charges	\$0.00
Prior Payments	\$0.00

TOTAL PAYMENT SUMMARY:

	Total Contract
Total Original Contract	\$0.00
Total Contract Amendments	\$0.00
Total Adjusted Contract	\$0.00
Total Payments to Date	\$0.00
Back Charges	\$0.00
Balance of Contract	\$0.00

CONTRACT SCHEDULE SUMMARY:

Contract Start Date:	1/0/2015
Contract Duration:	0
Contract Completion Date:	
Authorized Time Extension:	0
Revised Completion Date:	

PROJECT COMPLETION SUMMARY:

Contract Time Expired:	#DIV/0!
Contract Work Complete:	#DIV/0!

APPROVALS:

Consultant Approval:

Title: _____ Signature: _____ Date: _____

Inland Empire Utilities Agency Approvals:

Project Manager/Engineer: _____ Date: _____ Executive Manager: _____

Supervising Engineer: _____ Date: _____ Date: _____

Department Manager: _____ Date: _____ General Manager/CEO: _____

Date: _____


**ACTION
ITEM
1D**





Date: August 19, 2015

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee (08/12/15)
Finance, Legal and Administration Committee (08/12/15)

From: P. Joseph Grindstaff 
General Manager

Submitted by: Chris Berch 
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee 
Manager of Planning & Environmental Compliance

Subject: Approval of a MOU and Term Sheet for an Energy Storage Services Agreement with Advanced Microgrid Solutions, Inc.

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the Memorandum of Understanding (MOU) and Term Sheet between Inland Empire Utilities Agency and Advanced Microgrid Solutions, Inc. (AMS) for an Energy Storage Services Agreement; and
2. Authorize the General Manager, subject to non-substantial changes, to execute the MOU.

BACKGROUND

IEUA has worked with AMS to develop cost effective energy storage solutions at several treatment plants to improve load management, support the Agency's renewable installations, and provide cost savings for facilities by taking advantage of Time-of-Use (TOU) changes in electricity pricing. In February 2015, IEUA entered into an MOU with AMS for a cooperative and mutually beneficial Demand Response Energy Storage (DRES) Agreement that would install energy storage equipment at no cost to IEUA in return for allowing a portion of the energy storage to be dispatched to Southern California Edison (SCE) during times of high grid demand. Since that time, SCE revised the areas of need for dispatchable energy storage, negating the DRES Agreement structure in the MOU.

AMS has worked to develop an alternative project structure whereby 3.75 MW of energy storage will be installed at no cost to IEUA. Under the new structure, IEUA will have access to all of the stored energy and will pay fixed rates to AMS for equipment and service fees. Under the MOU, AMS will assume, at its own expense, all responsibility for design, development, permitting, financing, operation, maintenance and decommissioning of the Project at each facility. IEUA will agree to provide AMS access to utility data and facilitate design, permitting, construction, interconnection and installation of the Project.

The energy storage installations will be equipped with software designed to adapt to each facility's load requirements and maximize cost savings based on the electricity tariff specific to the site. AMS has conducted modeling for the IEUA facilities listed in the table below and estimated that the energy storage installations will result in annual savings between \$300,000 and \$500,000 across all facilities. After taking into account the equipment and service fees, AMS estimates that IEUA will realize \$112,000 to \$150,000 in annual electricity savings.

Energy Storage Installation Sites and Sizes

Facility	Energy Storage Rating (MW)
RP-1	1.0
RP-4	1.25
RP-5	0.5
CCWRF	0.5
1630 East Pump Station	0.25
1630 West Pump Station	0.25
Total	3.75

Because the savings models rely on electricity usage and tariff forecasts that may change over time, the MOU does not include a savings guarantee. However, AMS has provided an assurance that IEUA will receive a minimum annual cost savings equal to 110 percent of the equipment and service fees. Each year, the cost savings from the storage installations will be compared to the fees expended by the Agency. In the event that fees exceed the cost savings, AMS will credit the difference to IEUA's service charges for the following year, plus an additional ten percent.

The MOU outlines provisions of a business agreement with a 10 year term. IEUA will work collectively with AMS to refine the Energy Services Agreement. The project meets the IEUA's adopted Business goals for water management by optimizing renewable resources, containing future energy costs, and progressing toward peak power independence.

PRIOR BOARD ACTION

On February 18, 2015, the Board of Directors approved a Memorandum of Understanding between IEUA and AMS for a Master Lease and Energy Services Agreement.

IMPACT ON BUDGET

If approved, the energy storage installation will result in annual electricity savings between \$300,000 and \$500,000 across all facilities. After taking into account the equipment and service fees, AMS estimates that IEUA will realize \$112,000 to \$150,000 in annual electricity savings.

Attachment:

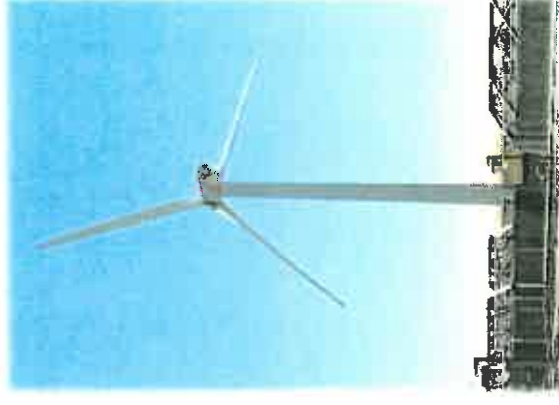
1. Memorandum of Understanding for Energy Storage Services Agreement

MOU for Energy Storage Services Agreement



Energy Storage at IEUA

- **Load Management Flexibility**
- **Save on demand charges during peak periods**
- **Optimize renewable resources**
- **Progress toward peak power independence**



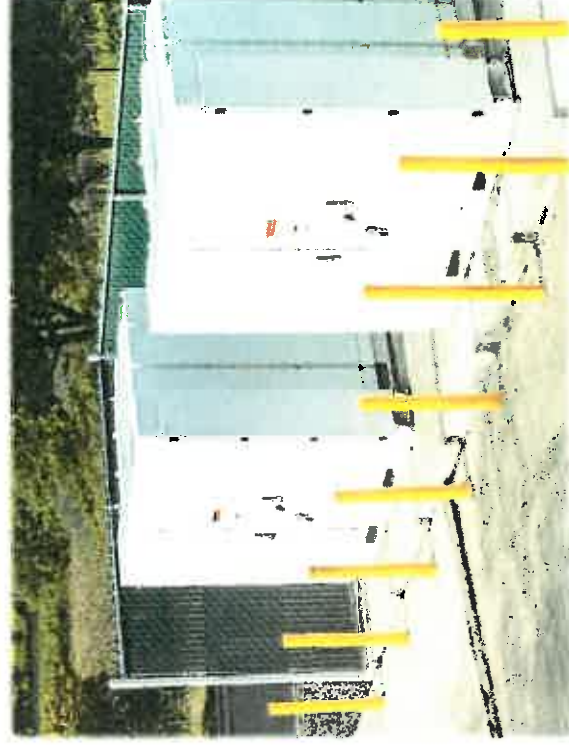
Energy Storage at IEUA

- Advanced Microgrid Solutions (AMS) to install 3.75 MW of battery storage at no expense to IEUA

Facility	Energy Storage Size (MW)
RP-1	1.0
RP-4	1.25
RP-5	0.5
CCWRF	0.5
1630 E Pump Station	0.25
1630 W Pump Station	0.25
TOTAL	3.75

MOU Terms

- 10-year term
- AMS to install, operate, and maintain equipment
- IEUA to pay fixed equipment and service fees
 - Varies with level of service
- Savings above fixed fees to IEUA



0.5 MW Tesla Battery Storage Installation

Level 1

Cost Reductions

Peak shaving

Custom energy management web portal

24/7 Monitoring

Level 2

Optimized Resource Management

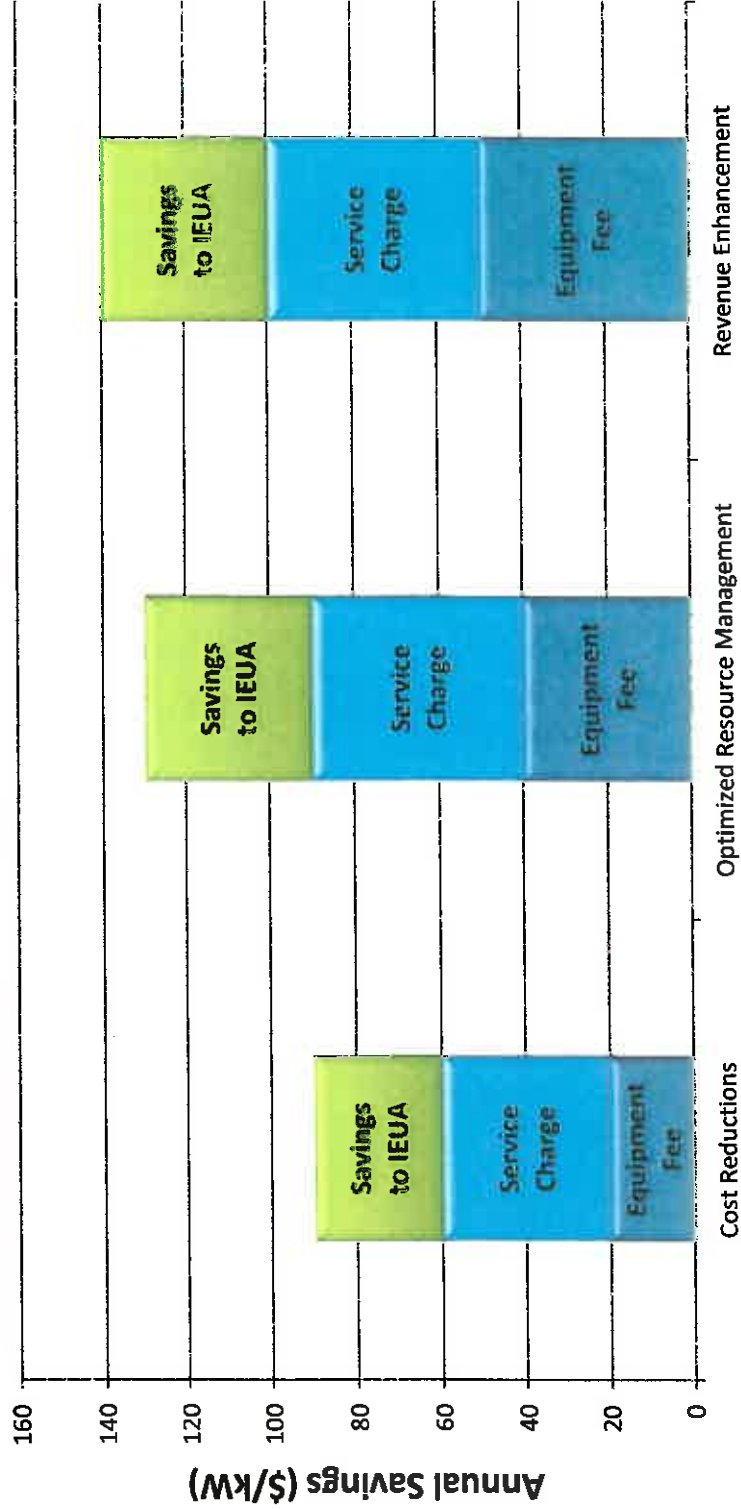
Customized load shaping for maximum savings

Integration of renewable resources

Level 3

Revenue Enhancement

New revenue generation from utility programs and/or wholesale energy markets



Estimated Annual Savings to IEUA between \$112,000 and \$150,000

Savings Assurance

- **No Guaranteed Savings**
 - Too much variability in tariff schedules and electricity usage
- **AMS Assurance of Zero Losses**
 - Reconciliation of each year's savings and fees
 - If fees > cost savings, AMS to credit difference in following year, plus 10%

Next Steps

- AMS to Develop Agreement (August 2015)
- Agreement Execution (September 2015)
- RP-5 Installation Complete (December 2015)

Consistent with the Agency's business goal of Wastewater and Energy Management by optimizing facility energy use and renewable resources to contain future energy costs.

Questions?

**MEMORANDUM OF UNDERSTANDING
for
ENERGY STORAGE SERVICES AGREEMENT**

**Advanced Microgrid Solutions, Inc. and
Inland Empire Utilities Agency**

Purpose. The parties to this Memorandum of Understanding (“**MOU**”) are exploring a potential business arrangement regarding customer-sited energy storage technologies and wish, for the mutual benefit of each of them, to set forth in writing certain key terms in Exhibit A of that potential business arrangement.

Nature of MOU. This MOU is for discussion purposes only and does not constitute or impose any binding offer, acceptance, commitment or representation of either party. It is expressly understood that, except for the confidentiality obligations set forth herein and in the NDA (defined below) and the intellectual property provisions set forth herein, this MOU shall constitute a non-binding agreement between the parties for business discussions only, and that neither the execution of this MOU nor the acceptance hereof is intended to, nor shall it, create a legal or binding obligation by or on behalf of any of the parties hereto to enter into the proposed transaction or take any other action in contemplation thereof, execute any definitive agreements or provide any funding for the proposed transaction.

Independent Contractors. With respect to this MOU, each party is acting as an independent contractor and under no circumstance will any party be deemed to be in any relationship with the other party carrying with it fiduciary or trust responsibilities, whether through partnership or otherwise. Neither party undertakes by this MOU to perform any obligation of the other party, whether regulatory or contractual, or to assume any responsibility for the other party’s business operations. Each party shall bear the costs of its own activities under this MOU.

Confidentiality. The parties acknowledge that during the course of exploring the business relationship contemplated by this MOU that confidential customer information and confidential proprietary data and business information will be exchanged between the parties and may not be disclosed without the written consent of the disclosing party. The parties further acknowledge the existence of the Mutual Non-Disclosure Agreement executed by the parties (“**NDA**”) and agree to observe the NDA provisions and to hold the existence and contents of this MOU and any confidential information exchanged between the parties pursuant to this MOU in strict confidence in accordance with the NDA unless otherwise agreed to in writing by both parties.

Intellectual Property. All intellectual property rights existing prior to the Effective Date (defined below) will belong to the party that owned such rights immediately prior to the Effective Date as will all modifications, enhancements and derivatives thereof. Neither party will gain by virtue of this MOU any rights of ownership of copyrights, patents, trade secrets, trademarks, or any other intellectual property rights owned by the other party.

Term and Modification. This MOU is entered into and effective as of _____, 2015 (“**Effective Date**”). This MOU will terminate on _____, 2015 but may be amended at any time by mutual written agreement of the parties. Either party may terminate this MOU at any time by providing written notice to the other party.

ADVANCED MICROGRID SOLUTIONS, INC.

INLAND EMPIRE UTILITIES AGENCY

By: _____
Name: Susan Kennedy
Title: President & CEO

By: _____
Name: _____
Title: _____

EXHIBIT A

DRAFT

**Certain Key Terms and Conditions
of Energy Storage Services Agreement**

<u>Overview</u>	
1. Host Customer	Inland Empire Utilities Agency is a regional wastewater treatment agency and wholesale distributor of imported water responsible for serving approximately 830,000 people over 242 square miles in Western San Bernardino County (" <i>Host Customer</i> ").
2. Sponsor	Advanced Microgrid Solutions, Inc., a Delaware corporation (" <i>AMS</i> "), is a developer of customer-sited energy storage technologies for the benefit of host customers, utilities and the wholesale energy market.
3. Provider	A Delaware limited liability company (" <i>Provider</i> "), to be named by AMS, is a joint developer with AMS and will be owner/operator of Demand Response Energy Storage (" <i>DRES</i> ") systems that will be providing services to Host Customer under this Agreement (as defined in Section 6) and will or may be providing services under contracts with the Utility (defined in Section 4), California Independent System Operator, or other energy service provider (the " <i>Utility Services Agreement</i> " or " <i>PPA</i> ") in the form of dispatchable load reduction.
4. Utility	Southern California Edison Company (" <i>Utility</i> "), an investor-owned electric utility serving customers in central and southern California.
5. Overview	Provider and Host Customer seek to install state-of-the-art energy storage systems and other technologies on select Host Customer properties in the Los Angeles County area (" <i>Property</i> ") to optimize and manage distributed energy technologies in a manner that enables the facilities to shift electric consumption from grid to stored or other energy resources as needed to facilitate optimal and cost effective energy management; to enhance the reliability and security of the facilities by using stored energy as stand-by generation in the event of electrical outages; and to provide resources and support to the Utility or grid operator where possible through Utility service contracts, PPAs or wholesale ancillary services market transactions.
6. Project & Sites	Approximately 5 MW of energy storage systems (" <i>Equipment</i> ") located on the Property on sites set forth in Attachment 1 (" <i>Equipment Sites</i> "), designed, installed, owned, operated and maintained by Provider. pursuant to the Energy Storage Services (defined in Section 7) Agreement (the " <i>Agreement</i> ") with Host

	Customer (the " <i>Project</i> ").
<u>Obligations of the Parties</u>	
7. Access	Provider, Utility, AMS, the independent engineer and/or authorized regulatory agencies and their agents will have access to the Property, its main metered panel, points of connection between the Equipment and Property and the power grid in order to design, install (including connecting the Equipment to the power grid), inspect (including Utility and all regulators), test, operate, maintain, monitor, repair and remove the Equipment, and provide all other services permitted under the Agreement as set forth in Exhibit B (" <i>Energy Storage Services</i> ").
8. Installation	<p>Provider, its affiliates, technology partners or assignees will, at Provider's sole expense, design, develop, construct, finance, own and operate the Project subject to the safety and operational specifications of Utility, local permitting agencies and approval by Host Customer.</p> <p>Provider will be solely responsible for all Project costs and development activities including contracting with battery and software technology companies, permitting agencies, engineering, procurement, construction, insurance and other suppliers to ensure the Project reaches commercial operation as required by the Utility Services Agreement.</p> <p>Subject to terms to be agreed in the Agreement, Host Customer will have the authority to review and approve the size, location, interconnection, aesthetics, landscape, civil engineer specifications, operations and maintenance plans for the Project.</p>
9. Operations and Maintenance	Provider will be responsible, at its own cost, to operate the Project and to perform maintenance on the Project, all as necessary to comply with Provider's obligations under this Agreement and/or a Utility Services Agreement.
10. Obligations of Host Customer	<p>Host Customer will:</p> <ul style="list-style-type: none"> • Provide access to Property, Equipment Sites and meters as set forth in Section 7 above. • Allow measurement of, and provide access to rates and billing data associated with energy usage, energy and utility service and delivery costs for Host Customer facilities included in the Project. • Designate Provider to act on its behalf as an aggregator of participating Utility service accounts ("<i>Participating Accounts</i>") with respect to managing and operating all aspects of the Project. • Facilitate Project design, permitting, construction, approval, interconnection and installation as necessary to meet commercial operation dates and performance obligations of Provider under the Agreement and the Utility Services Agreement (including AMS

	<p>obligations) with Utility.</p> <ul style="list-style-type: none"> • Facilitate information, authorizations and reporting necessary to satisfy all requirements for application and receipt of utility incentive payments, including payments under the Self-Generation Incentive Program (“SGIP”), Auto-Demand Response or other such programs. • Host Customer shall promptly notify Provider of (i) any plans to change the operations at the Equipment Site that would materially impact the Equipment; (ii) any change in the service account’s applicable utility tariffs or electricity prices; and (iii) any other changes at the Equipment Site that could reasonably be expected to adversely affect the ability to use the Equipment to perform Provider’s obligations under a Utility Services Agreement or the Energy Storage Services to Host Customer under the Agreement. Host Customer shall use commercially reasonable efforts to provide not less than ninety (90) days’ prior written notice to any such changes.
<p>11. Obligations of Provider</p>	<p>Provider will at its own expense:</p> <ul style="list-style-type: none"> • Design, install, test, operate, maintain and decommission the Project. • Obtain all permits, approvals and financing necessary for the Project. • Install the Equipment at the Equipment Site in accordance with the scope of work and construction drawings approved by Host Customer. • Perform obligations contained in a Utility Services Agreement with Utility, including receipt of and response to dispatch notices from Utility, and measurement and evaluation requirements related to a Utility Services Agreement. • Maintain confidentiality and security of all Host Customer privacy information and proprietary data. • Apply for, secure and maintain applications for available utility incentive payments, including posting any required reservation deposits with utilities. • Provider will not bring onto or store upon the Property hazardous materials, except specified substances that are necessarily incorporated within the Equipment (e.g., batteries).
<p>12. Cost Savings, Fees and Incentives</p>	<p>Provider will operate the Equipment in a manner to provide Energy Storage Services that results in Cost Savings (defined below) to Host Customer.</p> <p><u>Calculation of Cost Savings:</u> Host Customer cost savings will be calculated by using Data from the battery meter, utility meter and/or site (shadow) meter and be made available to Host Customer via a password-protected user interface. The user interface will display total load present at the utility or site meter and the load reduction enabled by the Equipment (e.g. battery meter). On a monthly basis, Provider will calculate Host Customer’s utility bill with and without the Equipment using the corresponding utility tariff for the Property. The difference</p>

	<p>between these two calculated bills represents the value from demand charge reductions and load shifting attributable to the Equipment (“<i>Cost Savings</i>”).</p> <p>Fees and/or service charges for operation and maintenance of the Equipment will be determined based upon the specified level of Energy Storage Services and performance objectives approved by Host Customer in Exhibit B, and will be divided into the following components:</p> <ul style="list-style-type: none"> • <u>Equipment Fee</u>: Fixed monthly fee for operation and maintenance of Equipment based on anticipated operation of the Equipment commensurate with specified level of Energy Storage Services (“<i>Equipment Fee(s)</i>”). • <u>Service Charges</u>: Fixed, monthly fee for Energy Storage Services rendered to Host Customer based on level of Energy Storage Services chosen by Host Customer (“<i>Service Charges</i>”). • <u>Additional Service Charges</u>: Any additional Energy Storage Services or distributed energy resources provided to Host Customer by Provider, Provider’s affiliates or technology partners, will be listed in Exhibit B with a separate associated fee schedule (e.g. PPA for solar PV installation, fuel cell, energy efficiency retrofit or microgrid control system technology)(“<i>Additional Service Charges</i>”). <p><u>Incentive Funds</u>: In connection with the installation and operation of the Equipment at the Property, the Parties expect that the SGIP Program Administrator will make the SGIP Incentives available to Provider pursuant to the SGIP program. To the extent Host Customer acquires any interest in the SGIP Incentives, Host Customer will assign such interest to Provider and agrees that Provider shall be entitled to retain the full amount of the SGIP Incentives paid by the SGIP Program Administrator.</p> <p>AMS shall prepare at its sole expense and submit to the SGIP Program Administrator any and all documents necessary to receive the SGIP or other Incentives. Host Customer agrees to reasonably cooperate with AMS in the preparation and execution of such documentation.</p> <p><u>Additional Benefits</u>: Any other incentives, grants, reduced rate financing, tax benefits or other assistance or benefits available for the Equipment or its use from any federal, state or local governmental authority, utility or other entities shall inure to the sole benefit of Provider unless otherwise agreed to in writing by both parties. Host Customer agrees to reasonably cooperate with Provider in the preparation and execution of any documentation necessary for Provider to obtain any such benefits.</p>
<p>13. Cost Savings Assurance</p>	<p>Provider will make no warranty as to a specific level of cost savings to Host Customer but during each year of the Term, Provider will ensure that Host Customer receives the benefit of a minimum annual Cost Savings equal to 110% of the Equipment Fee plus Service Charges during the Term. If during each</p>

	<p>annual period of the Term, the Equipment Fee plus Service Charges exceeds the actual Cost Savings, Provider will credit the Service Charges for the subsequent year in the amount that (a) actual Cost Savings for the year just ended is less than (b) the Equipment Fee plus Service Charges multiplied by 1.10.</p>
14. Decommissioning	<p>At the end of the Term, except as otherwise set forth herein, Provider at its own cost and expense shall remove the Equipment leaving the Equipment Sites in their original condition subject to permanent infrastructure changes authorized in writing by Host Customer, if any, and normal wear and tear. Host Customer shall provide Provider sufficient Property and Equipment Site access to do such removal and restoration.</p>
15. Term	<p>10 year initial term ("<i>Initial Term</i>") with automatic 5 year renewal term ("<i>Renewal Term</i>") (the Initial Term and Renewal Term are collectively the "<i>Term</i>") unless 12 month notice to terminate is given by either party as further described in Section 19, plus a reasonable time for decommissioning. The Agreement shall expire after the Renewal Term unless the parties agree in writing to an extension.</p>
16. Information Rights	<p>Provider shall be permitted without the prior consent of Host Customer to share with Utility, regulatory agencies, its service and equipment vendors and its financing parties, all design, operational, testing, maintenance and repair data collected with respect to the Project, Host Customer's energy use, and any Project-related aspect of the Property or Equipment Sites.</p>
17. Ownership	<p>Provider will own all Equipment, data and information generated by use of the Equipment ("<i>Data</i>"), subject to AMS's ownership interest in Software (defined below) and liens and similar rights of parties providing Equipment or project finance funds for the Project. AMS shall own all software used in connection with or related to the Equipment ("<i>Software</i>"). For clarity, Equipment excludes Software and Provider shall obtain all license rights necessary from AMS to operate the Equipment. Host Customer will keep the Equipment, Software, and the Project free of all liens. Other than its rights under the Agreement, Host Customer shall have no interest in the Project, Equipment, Data, Software or the capacity or resource adequacy benefits associated with the Project</p>
18. Limited License	<p>During the Term, Provider grants to Host Customer a limited, non-exclusive, royalty-free license solely as necessary to make use of the Data and Equipment at the Property and to receive the Energy Storage Services. Host Customer may not use, execute, access, reverse engineer, modify or make derivative works of the Software in any way. For clarity, Provider shall have obtained all Software license rights from AMS necessary to operate the Equipment.</p>
19. Termination	<ol style="list-style-type: none"> 1. <u>Termination for Cause by Either Party</u>: (a) material breach not cured within applicable cure period if any, or (b) bankruptcy, general assignment, ceases business or assets attached. 2. <u>Termination for Convenience by Either Party</u>: with 12 month written notice

	<p>provided if Host Customer terminates for convenience, Host Customer either (a) pays Provider a termination charge per schedule ("Termination Charge") and all decommissioning costs, or (b) locates substitute site subject to Provider's approval and pays for all related costs including relocation costs. If Provider terminates for convenience, Provider at its own cost and expense shall remove Equipment per agreed schedule but no longer than 90 days leaving the Equipment Sites in their original condition subject to permanent infrastructure changes authorized in writing by Host Customer, if any, and normal wear and tear.</p> <p>3. <u>Additional Termination Rights</u>: (a) Provider may terminate if SGIP approval not received within 12 months of the effective date, and (b) Host Customer may terminate if no Cost Savings are realized during each year for five (5) consecutive years during the Term.</p> <p>4. <u>Automatic Termination</u>: the Agreement shall automatically terminate if (a) Host Customer no longer has authority to grant access rights, or (b) Host Customer ceases operations at the Property resulting in cessation of electrical consumption at the Property.</p> <p>5. <u>Effects of Termination or Expiration</u>: (a) if the Agreement expires, Provider terminates for convenience, either party terminates per sections 3(a) or (b) above, or Host Customer terminates for cause, Provider shall remove Equipment per agreed schedule but no longer than 90 days & Provider shall be liable for all costs and expenses in connection with the Equipment removal but shall not be required to remove Permanent Infrastructure approved by Host Customer, (b) if the Agreement automatically terminates per section 4 above, Host Customer terminates per section 3(c) above, Host Customer terminates for convenience or Provider terminates for cause, Provider shall remove Equipment per agreed schedule but no longer than 120 days and Host Customer is solely liable for all costs and expenses including Termination Charge, and (c) Host Customer shall pay all outstanding Service Fees accrued prior to any expiration or termination.</p>
<p><u>Miscellaneous</u></p>	
<p>20. Indemnity</p>	<p><u>By Provider</u>: indemnifies for losses resulting from third-party claim alleging</p> <ul style="list-style-type: none"> (a) bodily injury or property damage (real or tangible); (b) Provider's breach of confidentiality obligations; and/or (c) Equipment infringes intellectual property rights. <p><u>By Customer</u>: indemnifies for losses resulting from third-party claim alleging</p> <ul style="list-style-type: none"> (a) bodily injury or property damage (real or tangible); (b) Customer's breach of (i) its obligation to not attempt to grant any lien or security interest in the Equipment, (ii) its representation that it's the exclusive owner of the Property or obtained all rights, approvals and authorizations necessary for operations on the Property and permit Provider to provide Energy Storage Services at the Property; and/or (c) Customer's breach of its confidentiality obligations.

21. Limitation of Liability	<p><u>Disclaimer of Certain Damages</u>: except for exclusions set forth below, neither party is liable for consequential, incidental, indirect, special or punitive damages.</p> <p><u>Damages Cap</u>: except for exclusions set forth below, in no event will either Party's aggregate liability exceed 25% of the Equipment cost on the Equipment Site directly causing damages giving rise to a claim for such damages.</p> <p><u>Exclusions</u>: damages arising from, related to or based on (a) indemnification claims, (b) either Party's breach of its confidentiality obligations or violation of the other Party's proprietary rights, and/or (c) any other act or omission for which liability cannot be disclaimed or limited under applicable law.</p>
22. Assignment	<p>Provider may assign Agreement to affiliate or third party that acquires the Equipment, provided assignee assumes all of Provider's rights and obligations under this Agreement in writing. Host Customer may assign Agreement to affiliate or third party that acquires the host site facility provided assignee assumes all of Host Customer's rights and obligations under this Agreement in writing and Provider is notified in writing within 90 days of assignment.</p>
23. Insurance	<p><u>Provider</u> will carry the following insurance with company rated no less than A-: (a) commercial general liability with per occurrence limit of not less than \$1M and an aggregate limit of not less than \$2M for bodily injury and property damage, (b) statutory workers' compensation to fill limit of liability required by applicable law, (c) employer's liability insurance with a minimum limit of \$1M per occurrence, and (d) umbrella or excess liability for commercial general liability having per occurrence and aggregate limit of not less than \$5M.</p> <p><u>Customer</u> will carry the following insurance with company rated no less than A- and shall include Provider and AMS as additional insureds: (a) commercial general liability with per occurrence limit of not less than \$1M and an aggregate limit of not less than \$2M for bodily injury and property damage, and (b) statutory workers' compensation to fill limit of liability required by applicable law.</p>
24. Governing Law	<p>California.</p>
25. Expenses	<p>Each of Provider and Host Customer will be responsible for their own fees and expenses in negotiating the Agreement.</p>
26. Expected Signing Date	<p>The parties will use good faith efforts to conclude negotiations and execute the Agreement by _____, 2015.</p>

[end of Exhibit A]

EXHIBIT B

Energy Storage Services and Fees To Be Provided Under Energy Storage Services Agreement

Provider shall provide the following Energy Storage Services:

1. ***Analytics and Portfolio Planning*** – Provider will use historic, current and forecast data analytics regarding energy generation, consumption and cost at each Equipment Site to prepare an optimized, integrated resource management plan for Host Customer including the use of state-of-the-art energy storage systems.
2. ***Cost Reduction*** - Provider will operate the Equipment in conjunction with other on-site energy resources in a manner that seeks to reduce on-peak energy consumption and utility service charges and optimally charge and discharge the Equipment for the purpose of obtaining a net cost reduction to Host Customer on an annual basis during the Term. Fully optimized integration of all on-site energy resources seeks to combine peak shaving with load shifting to “shape” each Equipment Site’s load for the purpose of attaining maximum cost reduction. Provider will operate the Equipment with the objective of storing energy from the lower cost resources then seamlessly shifting the Equipment Site load to a more cost-effective resource in conjunction with on-site generation such as solar, fuel cell, wind or building load management (BLM) systems. Load shaping will be fully optimized to achieve maximum energy cost and utility charge reductions.
3. ***Stand-By Generation*** – Equipment will be designed to provide temporary back-up generation to support essential loads during grid outages. When there is an interruption in electrical service, the Equipment will provide temporary, near instantaneous generation to support continuing supply to critical loads and facilitate smooth transition from grid to back-up generation during power outages.
4. ***Aggregation*** - Provider will be responsible for aggregation and scheduling of load reduction produced by the Project for dispatch in conjunction with utility demand response programs or other revenue-generating opportunities.
5. ***Net Energy Export*** – Equipment will be designed to facilitate and expand net energy export capacity at RP-5 and other facilities as desired.
6. ***Custom Energy Management Web Portal*** – During the Term, Provider will make available to Host Customer an Energy Management Web Portal including customized performance data regarding operation of the Equipment (and other distributed energy resources) including monthly energy usage, monthly kWh battery throughput, state of charge and discharge of the batteries and estimated bill savings.
7. ***24/7 System Monitoring*** – Provider will, at its own expense, install an Internet connection or phone line for remote monitoring of Equipment to monitor operation and performance of the Equipment 24 hours a day and 7 days a week.

Provider will provide the following additional Energy Storage Services as directed by Host Customer:

8. ***Microgrid Control Systems*** – Provider will review and recommend Microgrid Control System technology for purposes of facilitating grid “islanding” and grid support in partnership with utility service provider.
9. ***Solar Installation*** - Provider will submit a proposal to install 1 MW additional solar PV system at RP-4 and 1-3 MW of additional solar PV systems at other Equipment Sites where and if cost effective and feasible to capture tax benefits and favorable pricing before expiration of federal tax credits. Solar installation proposals will be subject to a competitive solicitation process in accordance with regulations and requirements of Host Customer. Provider-supplied solar installations will be subject to a separate power purchase agreement executed in conjunction with the Project.

Estimated Savings, Equipment Fees and Service Charges:

Provider estimates that in addition to the value of stand-by generation, the Energy Services provided to Host Customer under this Agreement will result in gross aggregated Cost Savings of approximately \$150 per kilowatt of installed energy storage per year. Cost Savings estimates are based on the aggregated sum of Host Customer’s electricity expense for the subject Equipment Sites listed in Attachment 1 during a 12- month period.

It is understood by Host Customer that Cost Savings are estimates only, that actual Cost Savings will vary and that certain conditions outside of Provider’s control may affect the actual Cost Savings to Host Customer, including but not limited to 1) a material change in an Equipment Site’s gross electrical load profile, 2) changes to the rate tariff on which an Equipment Site’s electrical usage is billed, or 3) a material change within an Equipment Site’s rate tariff made by the Utility or electric service provider.

Host Customer shall pay the following Equipment Fees, Services Charges and Additional Service Charges to Provider:

Equipment Fee: The Equipment Fee shall be \$50 per kilowatt of installed energy storage Equipment per year.

Service Charges: Service Charges shall be \$50 per kilowatt of installed energy storage Equipment per year plus fifty percent (50%) of Cost Savings above \$175 per kilowatt per year.

Additional Service Charges: Additional Service Charges for each additional Energy Storage Service selected by Host Customer, if any, shall be set forth in an addendum to this Agreement.

All Equipment Fees, Service Charges and Additional Service Charges shall be calculated and paid at the shorter of either (a) monthly, or (b) the same interval as Host Customer’s utility billing cycle.

[end of Exhibit B]

ATTACHMENT 1

Equipment Sites

Site Name	Address	Southern California Electric Company Host Customer Account(s)
RP-1	2450 E Philadelphia St Ontario, CA	2-20-230-9647 2-19-984-8979 2-06-561-5429
RP-4/IERCF	12811 6 th St Rancho Cucamonga, CA	2-19-908-7271 2-08-629-5938
RP-5	6075 Kimball Ave Unit C Chino, CA	2-25-040-0645
CCWRF - Carbon Canyon	14950 Telephone Ave Chino, CA	2-19-986-3986 2-22-473-1182
East Ave Pump Station	7420 1/2 East Avenue Rancho Cucamonga, CA	2-32-717-0494
West Pump Station	1530 E 6 th St A Ontario, CA	2-34-658-5961
E Philadelphia		
San Bernardino		
NW Jurupa		
Palmetto		

[end of Attachment 1]


**ACTION
ITEM
1E**

Date: August 19, 2015

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (08/12/15)

From: P. Joseph Grindstaff
General Manager 

Submitted by: Kathy Besser 
Manager of External Affairs

Subject: Support for State Legislation

RECOMMENDATION

It is recommended that the Board of Directors approve a position of support for:

1. SB 385 – (Hueso) Primary Drinking Water Standards: Hexavalent Chromium;
2. SB 471 – (Pavley) Water, Energy and Reduction of Greenhouse Gas Emissions;
3. AB 888 – (Bloom) Waste Management: Plastic Microbeads; and,
4. AB 1144 – (Rendon) California Renewables Portfolio Standard Program

BACKGROUND

IEUA staff recommends that the Board adopt positions on four bills that will support and promote the Agency's interests.

1. SB 385 – (Hueso) Primary Drinking Water Standards: Hexavalent Chromium – SUPPORT

This ACWA sponsored bill would provide a process for public water systems to take the needed steps to comply with the State's new maximum contaminant level standard for chromium-6 that went into effect July 1, 2014. The bill does not weaken or delay the implementation of the chromium-6 standard, but rather establishes a carefully monitored process for public water systems to work toward and achieve compliance. As amended April 7, the measure would authorize the State Water Resources Control Board to grant a limited period of time for affected water systems to work toward achieving compliance without being deemed in violation as long as strict safeguards are met. The plan must

lead to compliance by the earliest feasible date, which in no event will be allowed to extend past January 1, 2020.

The reasoning is that a six-month time frame before implementation is not realistic for some water agencies that may need to construct new water treatment facilities, which may lead to potential enforcement actions and litigation costs.

This bill is consistent with IEUA's business goals on water reliability. Staff recommends a position of support.

2. SB 471 – (Pavley) Water, Energy and Reduction of Greenhouse Gas Emissions – SUPPORT

This bill would authorize funding in the form of a grant and loan program from the Greenhouse Gas Reduction Fund for water sector projects. While energy has always been a key factor in water resource planning, this bill would provide new opportunities for accessing funding for projects that reduce water-related GHG emissions. The bill also directs the California Energy Commission, in cooperation with specified sister agencies, to conduct a study of water-related energy use in California.

Eligible projects could include local water solutions that reduce energy-intensive water imports, clean energy generation at wastewater facilities, leak detection, and water appliance efficiency.

SB 471 is consistent with IEUA's business goals on wastewater management and draft energy management plan. Staff recommends a position of support.

3. AB 888 – (Bloom) Waste Management: Plastic Microbeads – SUPPORT

This CASA co-sponsored bill would bar California retailers from selling products containing tiny plastic beads (which currently are embedded in many exfoliating creams and scrubs) beginning in 2020. Microbeads have gained attention as a significant source of pollution, and, according to the bill's author, phasing out the beads makes more sense than having cities install costly filters to catch them. This would provide additional source protection for wastewater treated by IEUA, benefitting recycled water quality.

An organization representing the cosmetics industry adopted a neutral position after amendments clarifying what types of products would be covered. The legislation covers toothpaste and products with biodegradable plastic beads, including some soaps and facial scrubs.

This bill is consistent with IEUA's business goals for recycled water. Staff recommends a position of support.

4. AB 1144 – (Rendon) California Renewables Portfolio Standard Program – SUPPORT

This legislation, sponsored by CASA, would increase the value of the Renewable Energy Credits (RECs) generated and sold by wastewater treatment agencies that utilize their

renewable energy on-site in California by directing the California Public Utilities Commission to place them in “Bucket 1” alongside “bundled” RECs rather than “Bucket 3” where they currently reside. California biogas projects at wastewater facilities are considered “unbundled” because the energy generated is generally used on-site at the facility and not delivered to the electrical grid.

Bucket 3 rates are the lowest value energy credits (currently valued at between \$0.50 and \$0.90/MW), and with this legislation, the Bucket 1 rates, which are the highest value energy credits (currently valued at between \$12 and \$30/MW), has the potential to provide financing for wastewater energy infrastructure.

The reasoning behind moving “buckets” is that the greenhouse gas reduction benefits to California are the same as other types of Bucket 1 RECs, whereas Bucket 3 RECs are for energy produced out of state and not connected to the California grid.

AB 1144 is consistent with IEUA’s business goals on wastewater management and draft energy management plan. Staff recommends a position of support.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

INFORMATION
ITEM
2A

Date: August 19, 2015

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (8/12/15)

From: P. Joseph Grindstaff
General Manager

Submitted by: Kathy Besser
Manager of External Affairs

Subject: Public Outreach and Communication

RECOMMENDATION

This is an informational item for the Board of Directors to review.

BACKGROUND

August 2015

- August 21, 9th Annual San Bernardino County Water Conference, Cal State San Bernardino (5500 University Pkwy, San Bernardino), 8:00 a.m. – 12:00 p.m.
- Date TBD, IEUA Leadership Breakfast, IEUA HQB Event Room, 7:30 a.m. – 9:00 a.m.

September 2015

- September 23, Chino Day at the LA County Fair, 1101 W. McKinley Avenue, Pomona, 9:00 a.m. – 1:00 p.m.

October

- October 17, Landscape and Water Conservation Fair, Chino Basin Water Conservation District, 4594 San Bernardino St, Montclair, 9:00 a.m. – 2:00 p.m.
- October 27, WEWAC Project WET Workshop, IEUA HQB Event Room, 8:00 a.m. – 3:00 p.m.

November

- November 6-8, MWD Inspection Trip

Outreach/Education - Civic Publications Newspaper Campaign

- IEUA staff is working with Civic Publications to develop a summer 2015 water-saving campaign. This campaign will focus on water saving in a drought and will include display ads, an email blast and print media. All digital media will link to the IEUA micro-site with water-saving tips and rebate information.

Media and Outreach

- Staff has placed a Save Our Water ad in the *Chino Champion-Back to School* paper to run on August 8.
- IEUA staff is working with *La Opinion* and *Fontana Herald* to develop campaigns for fiscal year 2015/16.
- IEUA staff held the second Drought Task Force meeting with member agencies on July 28 to finalize the development of an outreach plan to implement a logo and tagline for consistent drought messaging across the region. Consultants Tripepi Smith & Associates presented campaign logos to the member agency reps they have developed thus far. Drought Task Force meetings will be held every other month.
- Staff has renewed a 12-month signage display contract with Big League Dreams located in Chino Hills. Once Tripepi Smith & Associates finalizes campaign artwork the signage will be updated from current Save Our Water display.
- Once Tripepi Smith & Associates finalizes drought campaign, content of the outreach ads will incorporate new tagline and drought alert logo.

Education and Outreach Updates

- Water Discovery Program: 80 Girl Scout troop members, elementary and high school students have taken part in the park field trip from July 1, 2015 through July 31, 2015. To date, staff has scheduled two field trips for August, one of which being a group of 80 teachers coming to learn about the wetlands and wastewater treatment. Additionally, Water Discovery Field Trips for school year 15/16 are being scheduled. The Busing Mini-Grant program will be ending in November 2015 and staff is currently working on putting a plan in place for the remaining school year.
- IEUA staff is working in cooperation with Chino Basin Water Conservation District and member agency representatives to plan the Landscape Water Conservation Fair held annually in October. The Water Conservation Fair will be held Saturday, October 17. Staff has applied for MWD's Community Partnering Program grant for additional funding for outreach and materials.
- Staff is working with the Water Resources Analyst II and graphic design consultants on creating a tagline to implement using landscape signage, billboards and magnets. Signs have been made available online to members of the community to print and display in their yards.
- Tripepi Smith & Associates has completed the creation of the member agency portal on IEUA's website where member agencies will log in to view and download documents. IEUA staff has completed content migration and created user logins and passwords for each agency.

- IEUA is working on updating various facility illustrations and brochures. The educational component for these brochures is being updated in order for visitors and stakeholders to have a simple yet detailed visual of each IEUA facility and process.
- Staff is currently working on scheduling the Summer Water Association Leadership Breakfast. A speaker invite letter has been sent to Colonel Kirk Gibbs, U.S. Army Corps of Engineers, who took command of the Los Angeles District Office on August 1. Date is TBD.
- Staff is in the process of working with our member agencies to recruit three teams for MWD's 2016 Solar Cup Competition to be held May 13-16, 2016. Two schools have expressed interest to participate thus far: Los Osos High School and Chino High School. Deadline to receive participation of interest is August 12.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The above-mentioned activities are budgeted in the FY 2015/16 Administrative Service Fund, Public Information Services budget.

INFORMATION
ITEM
2B



July 31, 2015

To: Inland Empire Utilities Agency
From: Michael Boccadoro
President
RE: July Legislative Report

Overview:

The first half of July was a rush of activity to get all bills out of policy committees in the “second house” before the July 17 deadline, which was also the start of the month-long legislative summer recess. Members will return to Sacramento on August 17 to finish out the last four weeks of the legislative session which ends on September 11.

On July 9, there was a meeting convened between the California Public Utilities Commission (CPUC), the California Air Resources Board (CARB), and the California Independent Systems Operator (Cal ISO) called, “Joint Agency Symposium: Governor’s GHG Reduction Goals.” The symposium focused on electricity sector policies to achieve the targeted GHG reductions of 40 percent below 1990 levels by 2030, set by the Governor in and April executive order. A new “Integrated Resource Plan” concept was introduced by the CPUC that would allow for greater flexibility in determining the right mix of renewables to achieve both the state’s renewable energy and greenhouse gas reduction goals.

The Governor reappointed and the Senate has now confirmed Felicia Marcus as the chair of the State Water Resources Control Board. After questioning and discussion about water curtailments, drought response and other topics, Marcus was unanimously approved by the Senate Rules Committee, and was approved by the full Senate on a 25-10 vote just before members left for Summer Recess. Marcus enjoyed strong support from nearly all sectors of the water community.

The series of bills to address future renewable energy and GHG emissions reduction goals continue to move through the legislative process. SB 350 (de Leon), SB 32 (Pavley) and AB 645 (Rendon) are all sitting in their respective appropriations committees awaiting action when members return in mid-August. SB 350 and AB 645 both increase the Renewable Portfolio Standard to 50 percent by 2050, while SB 32 requires CARB to set statewide limits on GHG emissions of 40 percent below 1990 levels by 2030 and 80 percent below 1990 levels by 2050.

The California Air Resources Board (CARB) released their Cap and Trade Auction Proceeds Second Investment Plan-- Draft Concepts for Public Discussion Paper. The Concept Paper presents preliminary, high level ideas for public discussion and comment. It does not propose any specific funding levels or percentage allocations, as those allocations are made during the budget process. For the water sector, it does recommend investment strategies to create a low-carbon water system that includes:

- Renewable energy generation by water agencies and water suppliers including at wastewater treatment facilities.
- Improved energy efficiencies, including pumps, turbines, and existing desalination plants.
- Reduced demand for carbon-intensive water.
- On-farm energy and water efficiency practices.

Inland Empire Utilities Agency Status Report – July 2015

New “Integrated Resource Plan” Introduced at Energy Symposium

On July 9, there was a meeting convened between the California Public Utilities Commission (CPUC), the California Air Resources Board (CARB), and the California Independent Systems Operator (CalISO) called, “Joint Agency Symposium: Governor’s GHG Reduction Goals.” The symposium focused on electricity sector policies to achieve the targeted GHG reductions of 40 percent below 1990 levels by 2030, set by the Governor in and April executive order.

Ed Randolph, director of the CPUC Energy Division, outlined an “integrated” plan for how utilities could cut GHGs to help meet the state’s 2030 target while ramping up the procurement of renewable power, rather than simply extending the current RPS target. He outlined that under the “Integrated Resources Plan” approach, state agencies would set GHG emission reduction goals for utilities, as well as other targets that may include local air quality and different energy resource mixes. The approach would give the utilities more flexibility in how the 50 percent renewable target can be met while also reaching the GHG reduction target.

Randolph noted that the “single venue” approach he outlined would allow the CPUC to determine the best mix of resources to maximize emissions reductions and reliability at the least cost while addressing issues like over-generation of solar and wind and will provide a much more transparent process. He recognized that this approach would likely include a lengthy, complex and expensive administrative processes for implementation and that determining how the Publicly Owned Utilities (POUs) would be regulated still needs to be worked out.

The IOUs were particularly concerned about the POUs being subject to the same rules, but appreciated the flexibility outlined in the proposal.

Other stakeholders noted that this was the first they had heard of the CPUC idea and voiced frustrations that it had not been discussed earlier, especially considering the number of bills working through the legislature to extend current policies.

This new concept has not yet been introduced into legislation. PG&E, SCE and SDG&E have all pushed hard for more flexible methods of achieving their RPS and GHG targets. Whether this alternative concept gets more serious legislative debate and discussion is up in the air at this point.

Felicia Marcus Re-Confirmed as Chair State Water Resources Control Board

On July 16, the Senate re-confirmed Felicia Marcus as chair of the State Water Resources Control Board (SWRCB) with a 25-10 vote. Marcus was first appointed to the board in 2012 and has served as chair since 2013. She was questioned before the Senate Rules Committee earlier in the month, where she received unanimous bipartisan support. Marcus defended the board's response to the drought including first-time curtailment orders on agricultural water right holders and other drought mitigation measures. Additionally, Marcus fielded questions about non-responsive staff, cleanup of contaminated water in disadvantaged communities, the transition of the drinking water program from the Department of Health Services and getting bond funding out the door quickly and efficiently.

Climate Change Legislation

The series of bills to address future renewable energy and GHG emissions reduction goals continue to move through the legislative process. SB 350 (de Leon), SB 32 (Pavley) and AB 645 (Rendon) are all sitting in their respective appropriations committees awaiting action when members return in mid-August.

SB 350 and AB 645 establish a 50 percent Renewable Portfolio Standard (RPS) to 2030 with other benchmark targets set between now and 2030. They also set other goals for energy efficiency. SB 350 also includes a highly controversial provision seeking to reduce petroleum use by 50 percent. The fuel provisions are expected to face stronger concerns from moderate Democrats in the State Assembly.

Stakeholders and utilities have raised a number of concerns during committee hearings including rising energy costs hurting businesses and individuals. Several groups, including the utilities and rooftop solar interests are urging both authors to allow behind the meter energy generation to receive a full, bucket one credit in the new RPS program. President Pro Tem de Leon has agreed to amend his bill to allow the CPUC to create a program designed specifically for on-site renewable energy generation procurement. It is unclear if this amendment satisfies those stakeholders advocating for the bucket one credit.

SB 32 requires CARB to set statewide limits on GHG emissions of 40 percent below 1990 levels by 2030 and 80 percent below 1990 levels by 2050, and authorized CARB to set an interim limit for 2040. Stakeholders have the same concerns about cost containment outlined for SB 350 and AB 645. Cost effect pathways to achieve the higher standard have not yet been identified. Opponents have raised concerns about higher energy and fuel prices and the impacts on industry and business.

Draft Cap and Trade Auction Revenue Second Investment Plan Released by CARB

The California Air Resources Board (CARB) released their Cap and Trade Auction Proceeds Second Investment Plan-- Draft Concepts for Public Discussion paper. The Concept Paper presents preliminary, high level ideas for public discussion and comment. It does not propose any specific funding levels or percentage allocations, as those allocations are made during the budget process.

It is important to remember that the Legislature has already permanently allocated 60 percent of the Greenhouse Gas Reduction Fund dollars as follows:

- 25 percent to High Speed Rail
- 20 percent to Affordable Housing and Sustainable Communities Program
- 10 percent to Transit and Intercity Rail Capital Program
- 5 percent to Low Carbon Transit Operations Program

The other 40 percent are allocated every year by the Legislature. Total GGRF funds now exceed \$2.2 billion annually with roughly \$900 million available for allocation by the Legislature.

CARB has created three categories for potential investment; transportation and sustainable communities, clean energy and energy efficiency, and natural resources and waste diversion. Within the clean energy and energy efficiency category, they have identified a low-carbon water system as an investment concept in the plan. Specifically they have identified the following as ways to create a low-carbon water system:

- Renewable energy generation by water agencies and water suppliers including at wastewater treatment facilities.
- Improved energy efficiencies, including pumps, turbines, and existing desalination plants.
- Reduced demand for carbon-intensive water.
- On-farm energy and water efficiency practices.

They have identified the potential recipients of these funds as; water utilities, irrigation districts, local governments, state water managers, nonprofit organizations and agricultural, industrial and commercial operations.

CARB plans to hold public workshops in August, release a Preliminary Draft Second Investment Plan in the fall, followed by more workshops, release a Revised Draft Second Investment Plan and hold a public board hearing in the late fall and submit a final plan to the Legislature in the beginning of 2016.

Legislative Update

Bills had to be out of their second house policy committees by July 17. July 17-August 17 is the annual Summer Recess for the Legislature. When they return, Legislators will work in appropriations committees until the August 28 deadline for all bills to be on the floor. They will then have until September 11 to pass bills off the floor for the Governor's signature.

Below are bills IEUA is tracking:

Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Joe Grindstaff and Kathy Besser, IEUA

From: Letitia White, Jean Denton, and Drew Tatum

Date: July 31, 2015

Re: July Monthly Legislative Update

Appropriations Update

Both the House and Senate Appropriations Committees have completed their work and reported 12 individual spending bills to the floor for consideration, but that seems to be where the process has stopped for the year. Before leaving for their month long recess, House Speaker John Boehner (R-OH) told reporters that the House would need to pass a continuing resolution in September in order to continue funding the government beyond the current fiscal year. While appropriators have been able to advance measures to the floor, the Senate has only attempted to bring up one appropriations bill for consideration, but that effort was blocked by Democrats. In the House, the process seems to have fallen apart after an amendment was offered to the Interior appropriations bill related to the display of the Confederate flag on federal property. That bill had to be pulled from the floor, and lawmakers haven't sought to bring another measure to the floor since then.

We have already confirmed with senior Appropriations Committee staff that drafts of a continuing resolution have been circulated among staff, but there has been no indication of exactly how long the government would operate under such a scenario. The committee staff has also been working on a list of anomalies, or programs that could have new starts/stops in the absence of an appropriations bill. Speaker Boehner told Members that they would have discussions about the continuing resolution after the August recess since it appeared there were not enough legislative days remaining to strike a deal with Democrats on individual appropriations measures or an omnibus package. While operating under a continuing resolution, lawmakers will have to consider the possibility of a continuing resolution for the entire fiscal year, or work out a plan to increase defense and domestic spending in order to get Congressional Democrats and the White House on board.

In addition to facing the need to pass appropriations measures, Congress will also have to pass an increase to the debt ceiling and grapple with a long term transportation spending plan. The Treasury Department has indicated it will continue to use extraordinary measures to avoid default. Using these measures, it is estimated that the United States can avoid default until December, when a debt ceiling increase will become necessary again. Lawmakers will also continue the conversation around a long-term transportation bill after opting for an additional two month extension before leaving town.

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Competing Drought Measures to Dominate Conversation in August

After months of teasing the release of a large California drought package, Senator Dianne Feinstein (D-CA) made good on a recent promise to introduce a bill before the August recess. Feinstein's bill comes on the heels of the introduction of a major infrastructure bill being introduced by her Senate colleague, Barbara Boxer (D-CA), and the passage of a bill to ease environmental protections to increase water availability to the Delta region by Rep. David Valadao (R-CA) and his fellow California House Republicans. Feinstein was facing increased pressure to produce a bill before returning to the state to face constituents in a state where drought conditions effect everyday life and dominate the news cycle.

Feinstein's bill would authorize roughly \$1.3 billion in federal funding over the next decade to combat drought through desalinization, water storage, recycling, and other projects. She took a different approach to responding to the drought this year than she did in her failed emergency package last year. Her bill also differs from the House passed bill in that it does not provide for easing restrictions under the Endangered Species Act. Unlike last year, it does not appear that Feinstein engaged House Republicans extensively in order to craft a package with bipartisan support. Feinstein relied heavily on the Association of California Water Agencies, Water Reuse, and the California State Water Resource Board as she crafted the bill. Specifically, she included a title in the bill devoted to recycled water projects in the state. That title also removes the need for Congress to authorize Title XVI projects within the Bureau of Reclamation, and it includes a list of agencies and municipalities that would be authorized after review by the Bureau of Reclamation, raising concerns that the list amounts to earmarked projects. Another criticism of Senator Feinstein's legislation is that it doesn't appropriate any new money while providing authorization for the new or expanded projects.

As lawmakers traverse the state during the month of August, we are sure to see them touting their own plans in an effort to secure support from municipalities and water agencies throughout the state. While the House has passed its bill, the Senate is slated to start the consideration of several drought related bills before the Senate Energy and Natural Resources Committee in September. In addition to the Feinstein and Valadao bills, Chairwoman Lisa Murkowski (R-AK) has indicated that she plans to introduce a west-wide package to support all western states facing drought conditions.

Congress Extends Transportation Deadline Once Again

The House and Senate were on a collision course over highway transportation funding and authorization in the House's final week before the August recess. Earlier in the month, House Ways and Means Committee Chairman Paul Ryan (R-WI) introduced a bill that passed the House that would have extended the program through mid-December while lawmakers continued to work on an international tax code overhaul to fund a long term deal. The bill received the blessing of the White House, but the Senate started down another path to proceed to a 6-year deal. In order to run out the clock on procedural moves, the Senate began consideration of an unrelated House bill that would be used as a shell to house the transportation bill before the final details of an agreement had been reached or released. Senate Majority Leader Mitch McConnell (R-KY) and Senator Barbara Boxer (D-CA) worked through a weekend to hash out an agreement that would provide for a long term (six years) authorization while providing three

Innovative Federal Strategies LLC

years of funding—forcing the next Congress to come up with other means of paying for the remaining authorization.

The Senate ultimately passed their bill, but the process was not without controversy. In addition to a rare Sunday session, the legislation was amended to include a controversial rider to reauthorize the Export-Import bank since the charter expired on June 30th. That led to accusations from Senator Ted Cruz (R-TX), a Republican presidential candidate, that Majority Leader Mitch McConnell lied to his Republican colleagues about a deal being in place to reauthorize the bank. Cruz also tried procedural moves to get votes on additional amendments, but failed to receive the support from 10 Senators necessary to receive a vote. The legislative proceedings also included an attempt to repeal the Affordable Care Act, which was unsuccessful. In addition to the controversy within the chamber, it became clear that the House would not consider the Senate bill before leaving town and the Senate was not prepared to pass the House bill. This forced the House to introduce and pass a three month extension before leaving town. The Senate quickly followed suit after wrapping up consideration of its long term package.

Lawmakers have again given themselves additional time to debate a long term measure after failing to do so during the last extension. Extending the authorization and funding through the end of October has only added to the long list of must-do items this fall. When lawmakers return in September, they will have to pass a funding measure for normal government operations beyond September 30th, continue looking at transportation options, and consider raising the debt limit before the Treasury department's ability to manage the debt runs out. At least one prominent Republican has already suggested rolling the three bills into one. Representative Tom Cole (R-OK), an Appropriations Subcommittee Chairman and Deputy Whip said, "My thing has always been: Why take three tough votes when you can just take one? I think the bigger deal you can get, the better."

Outlook for August

The House has already left for the August recess. The Senate will be in session during the first week of the month to take votes on defunding Planned Parenthood in light of recent videos that have surfaced. It is widely anticipated that they will leave town midweek before the first Presidential debate for 2016 is set to take place among the Republican candidates.

INFORMATION

ITEM

2C



CALIFORNIA STRATEGIES, LLC

Date: July 30, 2015
To: Inland Empire Utilities Agency
From: John Withers, Jim Brulte
Re: July Activity Report

Listed below is the California Strategies, LLC monthly activity report. Please feel free to call us if you have any questions or would like to receive any more information on any of the items mentioned below.

- Met with IEUA Executive Management Team to review priority issues and to discuss activities for July that are priorities-July 6th
- Participated in discussions with staffs of San Bernardino and IEUA to discuss coordination of County and District legislative and public policy issue agendas that Executive Staff is implementing
- Monitored LAFCO staff and Chair on the status and key issues related to the MSR process currently underway for water conservation districts countywide. Discussed September 2015 MSR Lafco hearing and follow up items.
- Support and advise on IEUA/SBVMWD transfer transaction on an as needed basis.
- Provided an update on the recent filing of a Sphere of Influence amendment update by the CVWRD. Support the coterminous with IEUA option.
- Continue to monitor statewide water issues including the BDCP, water bond, and drought relief act activities.
- Outreach to Board Directors as needed on issues of interest
- Monitor Santa Ana Regional Board agenda, SAWPA agenda and issues of interest to IEUA.

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July 31, 2015

To: Inland Empire Utilities Agency

From: Michael Boccadoro
President

IEUA2015 Legislation Tracking Matrix-- POSITIONS

Bill	Author	Subject	Status	Description	IEUA Position	Notes
<u>AB</u> 143	STONE (R)	Diamond Valley Reservoir: recreational use.		Current law, with certain exceptions, prohibits there is bodily contact with water, in a reservoir in which water is stored for domestic use and establishes water standards for those exempted reservoirs. This bill would exempt from this prohibition recreational activity in which there is bodily contact with water by any participant in the Diamond Valley Reservoir if certain standards are met. This bill contains other related provisions.	Oppose	Bill was made a two-year bill.

<u>SB</u> 75	Budget Committee	Emergency Drought Appropriati ons	Held in Assembly	Emergency Drought Expenditures	Support	The Emergency Drought bills were passed in separate vehicles, ABs 91 & 92, contained the same language as SB 75
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Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Joe Grindstaff and Kathy Besser, IEUA

From: Letitia White, Jean Denton, and Drew Tatum

Date: July 31, 2015

Federal Legislation of Significance

Bill Number	Sponsor	Summary	Status
n/a	Sen. Dianne Feinstein	Feinstein introduced legislation in the final days of the month to combat drought in California. Specifically for IEUA, it contains a title on recycled water. It also removed the requirement for Congress to authorize Title XVI projects.	Introduced. Waiting a hearing before the Senate Energy and Natural Resources Committee in September when other drought bills are considered.
H.R.2898	Rep. David Valadao	Western Drought Legislation introduced by California House Republicans that would ease environmental regulations provide for easier permitting for water storage projects.	Passed the House. To be considered before the Senate Energy and Natural Resources Committee in September.
S.1140	Senator John Barrasso	Requires the Secretary of the Army and the Administrator of the Environmental Protection Agency to propose a regulation revising the definition of the term "waters of the United States".	Introduced and reported favorably by the Environment and Public Works Committee for consideration by the Senate.
H.R.1732	Rep. Bill Shuster	Requires the Secretary of the Army and the Administrator of the Environmental Protection	This bill has passed the House. The Senate is currently considering their

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		Agency to withdraw their existing proposed rule regarding the waters of the United States and propose a new rule with additional stakeholder feedback.	own version (mentioned above).
n/a	Rep. Paul Ryan or Senator Orrin Hath	Tax Reform Legislation specific to municipal bond preferential tax status.	There is currently no broad tax reform package up for consideration, but we suspect talk will continue as Congress looks at a long-term highway and transit funding bill.
n/a	Rep. Jared Huffman / Sen. Barbara Boxer	Provides for \$1.2 billion in new water related appropriations to help the western United States build storage capacity to help with long-term drought mitigation.	Huffman has introduced his bill in the House / Boxer has introduced the companion bill in the Senate.