

Agenda Item 8A

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STAFF REPORT

TO: Board of Directors

PREPARED BY: Steven Palmer, PE, CSDM, General Manager *SP*

SUBJECT: Staff Update and Board Discussion Regarding the Service Agreement with Sierra Lakes County Water District

RECOMMENDATION

Staff recommends that the Board of Directors receive the update from staff, discuss, and potentially provide direction on next steps.

BACKGROUND

At the June 16, 2026 Board meeting, the General Manager presented a list of suggestions raised by customers regarding the calculation of rates and asked the Board for direction on analyzing those suggestions. The Board directed the General Manager to first review alternative procedures for calculating wastewater utilization (e.g., equivalent dwelling unit (EDU) calculations). The General Manager performed that review and presented the results at the July and August 2026 Board meetings. At the August 2026 Board meeting, the General Manager completed the reporting on that item, and the Board directed the General Manager to begin a review and analysis of the Service Agreement with Sierra Lakes County Water District (SLCWD). This report summarizes the work performed to date.

DISCUSSION

The current agreement with SLCWD was negotiated over several years and many meetings between staff and Board committees from both agencies. This analysis does not attempt to review or summarize those negotiations. However, it is important to recognize that the agreement required substantial work by both agencies and represents a compromise reached by two willing parties.

The basic terms of the agreement are:

- The shared trunk sewer, treatment and disposal works, and associated facilities are owned solely and exclusively by Donner Summit Public Utility District (DSPUD), and are operated, maintained, and subject to the exclusive control of DSPUD.
- Because of its financial contribution to the construction of the wastewater treatment plant and disposal works, SLCWD has a right to 40% of the capacity as established at the completion of plant construction. The agreement capacity is 800,000 gallons per day, defined as the average of the flows measured on the highest three consecutive days.
- The total cost of maintenance and operation (TCM&O), as defined in the agreement, is apportioned annually based on each district's percentage of the preceding fiscal year's flow.
- TCM&O costs are defined by a list of DSPUD general ledger accounts included as Exhibit B to the agreement. These accounts cover all labor, wages and benefits; equipment replacement and repair; supplies and services; use permit fees and land lease payments;

insurance; legal and accounting; and engineering design, analysis, and operational support fees.

- An administrative charge of 14% applies and is reviewed every three years.
- SLCWD makes monthly payments of one-twelfth of its share of the TCM&O.
- DSPUD submits annual audited financial statements for SLCWD to review.
- The cost of repairs, improvements, and modifications that do not expand capacity and are capital costs, called non-capacity-expanding improvements (NCE), is shared in proportion to each district's current fiscal year flow.
- DSPUD has sole discretion and decision-making authority over system modifications.
- The cost of improvements that increase the total number of gallons that can be treated, called capital improvement capacity expanding (CICE), is shared in proportion to the additional capacity each district requests, unless a district does not want the additional capacity.
- For any proposed or requested expansion of the permitted capacity, SLCWD may request the formation of a committee composed of two representatives from each Board to review the proposed improvements.
- The agreement remains in effect until the SLCWD Board relinquishes its rights by resolution.
- Amendments to the agreement must be proposed in writing to the other district and approved by a majority vote of each district's Board of Directors at a Board meeting.

The General Manager searched for similar agreements that could be compared to the agreement with SLCWD and located the following:

- Amended and Restated Sacramento Regional Wastewater Management Program Master Interagency Agreement, dated April 20, 2021.
(https://sacramento.granicus.com/Viewer.php?view_id=21&clip_id=4913&meta_id=624910).
- Ordinance 2-2015 of the Tahoe-Truckee Sanitation Agency Setting Forth the Rules and Regulations Governing the Agency's Regional Sewerage System, dated May 13, 2015.
(<https://www.ttsa.ca.gov/DocumentCenter/View/305/02-2015-Rules-and-Regulations-PDF>).
- Agreement for Moulton Niguel Water District to Provide Sewer Service to El Toro Water District for the Benefit of Tract No. 8800, dated November 15, 2025.
(<https://mnwd.community.diligentoneplatform.com/document/4e951cce-2f05-4ab0-bb36-dc4dd1542496/>).
- Wastewater Service Agreement between Avila Beach Community Services District and the Port San Luis Harbor District, dated May 10, 2016.
(<https://www.portsanluis.com/DocumentCenter/View/1836/PSLHD-ABCSD?bidId=>).
- Interagency Agreement between the City of Solvang and the Santa Ynez Community Services District, dated September 14, 1998.
(<https://sycsd.specialdistrict.org/files/bae5dff28/CityofSolvangContract.pdf>)

ANALYSIS

A. OTHER SIMILAR AGREEMENTS

Each of the above-listed agreements was reviewed and compared to the DSPUD and SLCWD arrangement.

Sacramento Regional Wastewater Management Program (SacSewer)

SacSewer is a separate regional entity responsible for wastewater treatment and a shared collection system. It is governed by a 17-member Board of elected officials from the contributing agencies: Sacramento and Yolo Counties and the cities of Sacramento, Elk Grove, Citrus Heights, Folsom, Rancho Cordova, and West Sacramento. Each contributing agency has a separate operating agreement that specifies which agency bills and collects the SacSewer rates. SacSewer calculates the rates, conducts the Proposition 218 process, and adopts the rates for all customers within the contributing agencies. Rates are calculated on an equivalent single-family dwelling basis.

Tahoe-Truckee Sanitation Agency (TTSA)

TTSA is a separate regional entity responsible for wastewater treatment and a shared collection system. It is governed by a five-member Board of elected officials from the contributing agencies: Tahoe City Public Utility District (TCPUD), North Tahoe Public Utility District (NTPUD), Olympic Valley Public Service District (OVPSD), Truckee Sanitary District (TSD), and Alpine Springs County Water District (APSCWD). TTSA calculates the wastewater treatment rates, conducts the Proposition 218 process, adopts the rates for all customers, and bills all customers within the contributing agencies. Rates are calculated on an equivalent single-family dwelling basis.

Moulton Niguel Water District and El Toro Water District

This arrangement is similar to that of DSPUD and SLCWD, though on a much smaller scale. Moulton Niguel Water District (MNWD) owns and operates a wastewater treatment plant and has agreed to treat wastewater from 24 single-family homes that lie outside its service area and within the service area of El Toro Water District (ETWD). MNWD calculates the residential rate for its customers and charges ETWD an amount equivalent to 24 dwelling units. ETWD is billed twice a year and is responsible for billing the 24 individual dwelling units.

Avila Beach Community Services District and Port San Luis Harbor District

This arrangement is similar to that of DSPUD and SLCWD. Avila Beach Community Services District (ABCSD) owns and operates a wastewater treatment facility that serves both ABCSD and Port San Luis Harbor District (PSLHD). PSLHD has the right to 35% of the treatment capacity. Each quarter, PSLHD pays ABCSD a share of the operating and maintenance costs based on its proportional share of the actual organic loading, which is calculated quarterly from measured flow rates and biochemical oxygen demand (BOD). The ABCSD plant capacity referenced in the agreement is 200,000 gallons per day, compared to 800,000 gallons per day under the DSPUD and SLCWD agreement.

City of Solvang and Santa Ynez Community Services District

This arrangement is similar to that of DSPUD and SLCWD. The City of Solvang (Solvang) owns and operates a wastewater treatment facility that serves both Solvang and the Santa Ynez Community Services District (SYCSD). SYCSD has the right to 19.33% of the treatment capacity. Actual operating and maintenance costs are allocated based on the proportional share of the flow and strength of the wastewater, and SYCSD makes monthly payments to Solvang based on the

annual budget. The Solvang plant capacity referenced in the agreement is 1,500,000 gallons per day, compared to 800,000 gallons per day under the DSPUD and SLCWD agreement.

The SacSewer and TTSA agreements stem from very different circumstances. Both are true regional solutions: separate organizations with their own Boards and staff. The other three agreements resemble the DSPUD and SLCWD arrangement in that each is an agreement between two independent districts, where one district treats wastewater generated outside its boundaries. Two of these three agreements allocate operating and maintenance costs based on actual measured usage, as the SLCWD agreement does; however, they measure both flow and wastewater strength, while the SLCWD agreement allocates on flow alone. The third outside-area agreement charges based on the number of dwelling units served, in this case 24.

B. WATER ENVIRONMENT FEDERATION MANUAL

Correspondence received from customer Dr. Andrea Broaddus referenced the Water Environment Federation Manual of Practice No. 27 (MOP 27) and stated that “standard industry practice recommended by WEF M27 and broadly followed among California joint-facility agencies is a hybrid billing structure.” The General Manager purchased and reviewed the online fifth edition of the manual and could not locate a recommendation for a hybrid billing structure for wholesale or contract customers. Chapter 8 – Development and Design of a Schedule of Rates and Charges contains a short section titled Wholesale and Contract Customers (see Attachment 2). It states that a cost-of-service-based rate for wholesale or contract customers can be developed at the same time as rates for other system customers; or a non-rate recovery mechanism can be used, such as flat monthly charges, budget allocation processes, or cost allocations with true-ups. The current SLCWD agreement follows the latter approach of cost allocations with true-ups.

MOP 27 Chapter 6 – Allocating Costs of Services to Cost-Causative Components provides additional guidance in Section 10.0. It states that agencies need to take care to separate the costs that benefit wholesale or contract customers. In the SLCWD agreement, Exhibit B serves this purpose by listing the specific DSPUD general ledger accounts included in TCM&O.

C. SUMMARY AND NEXT STEPS

Five agreements were located and compared to the existing SLCWD agreement. Two of them, SacSewer and TTSA, arise from very different circumstances where there is a formal regional treatment agency composed of representatives from its member agencies. The other three involve one agency treating wastewater from a neighboring agency. Of those three, one charges based on equivalent dwelling units, and two allocate costs based on measured flow and wastewater strength. The SLCWD agreement also allocates costs based on measured usage, but assumes that DSPUD and SLCWD wastewater have similar strength.

MOP 27 was also reviewed for recommendations on wholesale and contract wastewater treatment agreements. It does not recommend a specific methodology and treats both rate-based and non-rate recovery methods, such as cost allocations with true-ups, as valid.

Therefore, the review conducted by the General Manager to date indicates that the SLCWD agreement fits within the framework of MOP 27 and is consistent with the methodology used in other outside area agreements in the State of California that were located during the research.

The General Manager requests that the Board provide direction on any additional research or evaluation that would help the Board decide whether to pursue potential amendments to the SLCWD agreement.

FISCAL IMPACT

There is no direct fiscal impact related to work performed on this item to date. There is indirect fiscal impact in that this work requires time from the General Manager, which reduces the time available to work on other goals such as delivering capital projects, reviewing new connection applications, training and hiring staff, updating Board policies, implementing the cross-connection prevention program, and implementing administration improvements.

CEQA ASSESSMENT

This action is not a project under the California Environmental Quality Act (CEQA). CEQA review is not required.

ATTACHMENTS

1. Existing Agreement
2. Section from MOP 27

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Attachment 1

SERVICE AGREEMENT

This Service Agreement made and entered into the _____ day of _____, by and between the Donner Summit Public Utility District, a public agency, hereinafter referred as Donner, and the Sierra Lakes County Water District, a public agency, hereinafter referred as Sierra, supersedes all contracts, agreements and other memoranda governing sewage transportation, treatment and disposal, between Donner and Sierra, whether written or verbal.

WITNESSETH:

WHEREAS, Donner and Sierra entered into an "Interim Service Agreement for Sewage Transportation, Treatment and Disposal" dated April 25, 2003, wherein Sierra acquired the right to use Donner's wastewater treatment facilities and the right to a portion of the capacity therein defined; and

WHEREAS, Donner is the sole owner and operator of the tertiary municipal wastewater treatment plant and associated facilities defined in Subsection 2.1 as the "System"; and

WHEREAS, representatives of Donner and Sierra mutually participated in the selection and recommendation to the full Donner Board of the upgraded treatment process, amount of expansion, and all costs associated with the Donner Summit Public Utility District Wastewater Facilities Upgrade and Expansion Project (the Project) which said Project was completed on July 10, 2015 and recorded by the Nevada County Recorder's office; and

WHEREAS, Donner and Sierra provide for the collection of sewage emanating from within their respective territorial limits and transport this sewage for treatment and disposal at Donner's system; and

WHEREAS, Donner and Sierra hereby recognize and acknowledge that due to future development, infiltration and inflow (I&I) and State mandated treatment requirements and/or discharge limitations, there is a finite limit of the System's capacity to treat sewage, and therefore a finite limit to the number of sewer connections to the existing System, by either and/or both Donner and Sierra, and that there is a need for an agreement and procedures concerning determination of capacity and connections, and allocation thereof; and

WHEREAS, Donner and Sierra hereby recognize the potential for future upgrades to, or expansion of, the existing System and the need for an agreement and

procedures concerning such upgrades or expansion, financing and allocation of costs and capacity of upgrades and/or future additional facilities of either Donner or Sierra; and

WHEREAS, Donner and Sierra from time to time (as explained in Section 7.0) shall request Donner's Engineers to evaluate the capacity of the System; and

WHEREAS, Donner and Sierra are empowered by Pubic Utility Code Sections 15501, et. seq., and Water Code Sections 30000 et. seq. respectively, and by other provisions of law to contract with one another concerning the aforesaid subjects.

NOW THEREFORE, in consideration of their mutual covenants, the parties hereto (hereinafter referred as "Districts") agree as follows:

1.0 **BOUNDARIES OF DISTRICTS**

1.1 Donner's district boundary shall be defined by its legal boundary as of the date of the Agreement, its service area being wherever Donner is authorized by law to provide service within its district boundary.

1.2 Sierra's district boundary shall be defined by its legal boundary as of the date of the Agreement its service area being wherever Sierra is authorized by law to provide service within its district boundary.

2.0 **DEFINITION OF SYSTEM; OWNERSHIP, MAINTENANCE, AND OPERATION OF SYSTEM**

2.1 The "System", as used herein, consists of Donner's wastewater treatment facilities, including the shared trunk sewer, treatment and disposal works, and associated facilities and excludes the portions of Donner's and Sierra's collection systems that flow into the System.

2.2 The System is owned solely and exclusively by Donner and shall be operated, maintained, and subject to the exclusive control of Donner.

2.3 By virtue of its financial contribution to the construction of the Project, Sierra has a right to a share of the capacity of the System equal to forty percent (40%) of the capacity of the System as established by Donner's engineers upon completion of

the Project, with Donner possessing a right to sixty percent (60%) of the System capacity as of the date of completion of the Project.

2.4 The sewer collection systems within each District's boundary are owned and shall be operated, maintained, and subject to the control of each respective District, except as otherwise provided herein or by any subsequent amendment hereto.

2.5 The shared trunk sewer(s) from Manhole 303, as described in Subsection 3.1, to Donner's wastewater treatment facilities, which is part of the System, is owned by Donner and shall be operated, maintained, and subject to the control of Donner, except as otherwise provided herein or in any subsequent amendment hereto. Sierra has the right to use 40% of the capacity of the main trunk sewer.

3.0 CONNECTION POINT OF DISTRICTS AND MEASUREMENTS

3.1 The connection point between Donner's and Sierra's sewer collection systems shall be at the sewer manhole located to the west of Soda Springs Road near the south side of the South Yuba River, designated as Manhole 303 as shown on Exhibit A attached hereto. Manhole 303, as referenced above, is the property of Donner. Sierra's collection system ends at the connection of its sewer pipe to Manhole 303, but includes the connection joint. Any change to the designated connection point shall require the prior approval of both Districts' Board of Directors.

3.2 To measure sewer flow and sample wastewater constituents from Sierra's area, Sierra owns, operates, maintains, repairs and calibrates a sampling manhole (MH 10069) and flow meter at Pahatsi Road as shown on Exhibit A. Donner shall have the right to inspect and/or monitor flows through the manhole at its discretion including connection of flow measuring equipment to Donner's SCADA system. Sierra shall maintain the gravity line between the sampling manhole and Donner Manhole 303 annually and provide a digital copy of a camera inspection of the line at three year intervals to Donner.

3.3 Donner shall operate, maintain, calibrate and repair a flow meter and sample station that will measure and sample the total sewer flow from both Districts at Manhole 102 as shown on Exhibit A.

3.4 Each District shall have the right to check and repeat the other District's measurements, sampling and testing at its own expense. Alternately, personnel from

both Districts may implement these activities jointly and share those costs proportionately in accordance with Section 8.2.1.

4.0 **MAINTENANCE AND OPERATION COSTS**

4.1 **Donner** and **Sierra** shall share the Total Costs of Maintenance and Operation ("TCM&O") of the System as defined in Section 2.1.

4.1.1 TCM&O shall be defined as direct costs relating to the Maintenance and Operation (M&O) of the System plus the administrative charge described in Section 4.3.2.

4.2 Donner and Sierra shall share the TCM&O in accordance with the following:

4.2.1 During the term of this Service Agreement, the TCM&O costs shall be apportioned annually based on the percentage of each District's preceding fiscal year flow through the System. The measure of flow from each District shall be determined by the utilization of flow meters as described in Sections 3.2 & 3.3.

4.3 Definition of Costs:

4.3.1 TCM&O costs for the System shall be defined by a listing of all accounts used, or to be used in the tracking of costs associated with operation of the System. The list of accounts shall be defined by an account number, account title and a description of the type of costs to be charged to the account. All such costs must be related directly to the TCM&O of the System and shall include, but are not limited to, labor, wages and benefits, equipment replacement and repair costs, supplies and services, use permit fees and land lease payments, insurance, legal, accounting, and engineering design, analysis and operational support fees. All cost accounts resulting from allocation by department shall include, with the description of the type of cost, a description of the allocation method used to allocate such cost.

4.3.1.1 A list of accounts, as identified in Subsection 4.3.1 above, shall be included as Exhibit B which may be changed periodically by Donner when necessary to reflect changes or modifications in the cost accounting methods utilized by Donner, provided such changes are consistent with Subsection 4.3.1. Donner shall notify Sierra, in writing, 90 days in advance of such changes and the

reasons for such change.

4.3.2 The administrative charge associated with the TCM&O of the System shall be fourteen percent (14%) of the direct costs relating to the TCM&O of the System; provided that at the end of three years from the effective date of this Service Agreement and at the end of each three-year period thereafter, the Districts shall review the reasonableness of such percentage and make any adjustment thereto deemed acceptable by both Districts.

4.4 Sierra shall make monthly payments to Donner at the rate of one-twelfth (1/12th) of Sierra's share of the annual TCM&O costs as projected in the DSPUD budget for the forthcoming fiscal year.

4.5 Donner shall send Sierra a Notice of Estimated Payment by May 1 for the upcoming fiscal year. The Notice shall include budgeted TCM&O costs for the forthcoming fiscal year, Sierra's projected allocation shall be based on the previous calendar year's percentage of flow through the System. A notice of Donner's Adopted Budget shall be sent to Sierra by June 30 of the applicable fiscal year.

4.6 Monthly payments by Sierra to Donner are due on the first day of each month and delinquent on the 15th day of the month. Delinquent payments are subject to the provisions of Subsection 11.4. No monthly notification or invoice need be sent by Donner to Sierra. Failure of Donner to provide Sierra with a Notice of Estimated Payment by May 1 shall allow Sierra, at its sole option, to continue to pay the current monthly payment of the prior fiscal year until two months after Notice of Payment is received by Sierra.

4.7 By November 30 of each year, Donner shall submit to Sierra a Report of the actual TCM&O costs, together with an Auditor's report, for the fiscal year ended June 30, and a calculation of the amount due from or to Sierra based on Subsection 4.2.

4.8 Sierra shall have ninety (90) days from the receipt of the Report and audit to review the Report, the Auditor's report(s), Donner's books and records and all other matters related thereto, and to notify Donner of its acceptance of the Report, or if non-acceptance of any portion thereof, the item(s) of non-acceptance, the reason(s) for such non-acceptance, and Sierra's recommendation(s) of the improper amount(s). Failure of Sierra to notify Donner within ninety (90) days shall be considered evidence of Sierra's

190 acceptance, in full, of the Report and audit. Donner shall make all documentation
191 immediately available to Sierra and any outside contractors they hire for this purpose.
192 Delay in providing the records shall automatically extend the time for Sierra's review.
193

194 4.9 If Sierra notifies Donner of non-acceptance of any item, Donner shall have
195 sixty (60) days from the date of receipt of Sierra's notice to accept or reject Sierra's
196 objection(s) and recommendations in writing. Failure of Donner to notify Sierra within
197 60 days of its acceptance or rejection of Sierra's objections and recommendations shall
198 be considered evidence of Donner's acceptance, in full, of Sierra's objections and
199 recommendations, and whereupon, Donner's Report will be so modified. If Donner
200 rejects any of Sierra's recommendations, Donner and Sierra shall each form an ad-hoc
201 committee consisting of two Board members who will meet with the two Board members
202 from the other District to attempt resolution of the disputed problem. Each Board's two
203 members will come to their respective Boards with their recommendations for a
204 resolution if such a resolution is agreed upon by the two Board committees. The
205 resolutions brought back to each Board by their Board members are not binding unless
206 or until a majority vote of each Board authorizes and certifies the resolution brought
207 before the Board by its members.
208

209 4.10 If the Districts cannot reach agreement on the disputed problem within
210 forty-five (45) days after the date of Donner's notice specified in Subsection 4.9, the
211 matter shall be resolved through binding arbitration as defined below. Section 13.0
212 shall not apply to any disputes arising out of Subsections 4.7 through 4.9. It is the
213 intention of the parties to agree on one arbitrator. If they cannot agree on such
214 arbitrator, there shall be three: one named in writing by each of the parties within sixty
215 (60) days after the date of Donner's notice, and a third chosen by the two appointed
216 arbitrators. Should either party refuse or neglect to join in the appointment of the
217 arbitrator(s) or to furnish the arbitrator(s) with any papers or information requested, the
218 arbitrator(s) chosen may proceed without such appointment and papers or information.
219

220 A hearing on the matter to be arbitrated shall take place before the arbitrator(s) in
221 Nevada County, State of California, at a time and place selected by the arbitrator(s).
222 The arbitrator(s) shall select the hearing date, and notify the Districts in writing of the
223 time and place of the hearing at least thirty (30) days before the hearing date. At the
224 hearing, any relevant evidence may be presented by either party. Evidence may be
225 admitted or excluded in the sole discretion of the arbitrator(s). The arbitrator(s) shall
226 hear and determine the matter and shall execute and acknowledge the decision in
227 writing and cause a copy of the writing to be delivered to each of the parties.

If there is only one arbitrator, his or her decision shall be binding and conclusive on the parties and if there are three arbitrators, the decision of any two shall be binding and conclusive. If three arbitrators are selected, but no two of the three are able to reach an agreement regarding the determination of the dispute, then the matter shall be decided by three new arbitrators who shall be appointed and shall proceed in the same manner, and the process shall be repeated until a decision is agreed on by two of the three arbitrators selected.

The costs of the arbitrator shall be shared equally by the parties. Each party shall be responsible for its legal fees and costs of preparation for arbitration.

4.11 The sum of all monthly payments by Sierra to Donner, excluding any interest on late payments, shall be deducted from Sierra's finally determined share of the final TCM&O costs for the fiscal year as contained in the Report as originally issued or modified pursuant to the provisions of Subsections 4.9 or 4.10. If there was an underpayment by Sierra, then Sierra shall pay Donner the difference. If there was an overpayment by Sierra, then Donner shall refund the difference. Said payment or refund shall be made within thirty (30) days after the Report becomes final. Delinquent payments or refunds are subject to the provisions of Subsection 11.4.

5.0 **NON CAPACITY EXPANDING CAPITAL IMPROVEMENTS**

5.1 Repairs, improvements and modifications which do not expand the capacity of the System, but which extend its useful life, improve its efficiency, or are needed to maintain or meet governmental or regulatory requirements, and which are capital costs, are called Non-Capacity Expanding Improvements (hereinafter "NCE Improvements"). The costs of such NCE Improvements shall be shared by the Districts in proportion to each District's current fiscal year flow in the component of the System that is being improved or modified.

5.2 If modification to the System is deemed necessary, Donner has the sole discretion and decision-making authority to modify the System as Donner deems necessary. At the inception of the planning of an NCE Improvement, as defined below, to the System, Donner shall give Sierra written notice thereof in accordance with Section 5.3. If so requested by Sierra, a Joint Facilities Committee (Committee) consisting of two representatives appointed by each District Board shall be created. The Committee shall meet on a regular basis, as agreed to by the committee, until the NCE

Improvement is completed or the plans therefore are terminated. It is agreed between the Districts that its respective Committee representatives shall work in unison and in the spirit of full cooperation with Donner's Engineer to determine the best technology and methodology to accomplish the desired improvements. The Committee shall make a recommendation to the Donner Board based on the Engineer's analysis. In the event that Sierra does not agree with the Donner Engineer's proposed modifications, Sierra at its sole expense may contract with its own consulting engineer to represent Sierra's interest at the Committee meetings. If the Donner and Sierra Engineers do not agree on the proposed modifications, unresolved issue(s) shall be submitted to a third engineer, who is experienced in advanced wastewater treatment and is mutually selected by the Districts. If the Districts cannot mutually select the third engineer within 60 days, the Districts' engineers shall mutually select the third engineer. The Districts' engineers shall submit a joint statement to the third engineer identifying each unresolved issue within fifteen (15) days after the third engineer's selection. The third engineer shall complete the Engineers' Report and/or in an amended Engineers' Report, decide the unresolved issue(s) within three (3) months after the engineer's selection. The Districts shall cooperate with the third engineer and provide whatever information such engineer deems necessary. The determination of the third engineer shall be the final recommendation to the Donner Board. The cost of the third engineer shall be borne equally by the two Districts.

5.3 For any such NCE Improvements, Donner shall notify Sierra in writing no later than May 1 prior to the fiscal year said NCE Improvements are budgeted to be incurred and the estimated amount of these anticipated cost(s).

5.4 When the total cost of all NCE Improvements is estimated to exceed twenty percent (20%) of the System's budgeted TCM&O costs for that fiscal year, Donner shall give Sierra no less than twelve (12) months advance notice in writing of the amount of the costs and Sierra's prorata share of said costs. Sierra, at its option, may waive its right to all or part of such extended notification, on a project by project basis. Waiver for one project shall not be considered a waiver for additional or subsequent projects.

5.5 In the case of NCE Improvements which arise on an emergency basis, Donner shall notify Sierra in writing of the nature and anticipated costs of said improvements as soon as practical, but no more than thirty (30) days after determining the need and costs of said improvements. Separate notifications shall be sent if costs which arise on an emergency or similarly unscheduled basis cannot be determined at

the time the unscheduled work or parts/machinery which constitute such improvements are required. Additional notifications of costs which have arisen on an emergency or similarly unscheduled basis shall be sent within thirty (30) days after occurrence of cost if there is a significant (20% or more) change in scope or costs of the NCE Improvements, as such changes occur. The Committee shall review, and the Donner and Sierra Boards approve, all design and construction related change orders exceeding \$25,000. If Sierra disagrees with the amount of any change order, the process outlined in Section 5.2 re: design modifications shall be used. Failure of Donner to notify Sierra, as stated above, shall give Sierra the option to extend the payment deadline(s) for its share of the cost(s) of said improvements up to ninety (90) days for the amounts for which Sierra received no prior notice.

5.6 Donner shall submit an "accounting/billing" of these NCE Improvements to Sierra for reimbursement based upon Sierra's percentage of flow through the affected System component. When costs and/or payment due dates for such NCE Improvements are pre-determined, Donner may submit such an "accounting/billing" prior to payment thereof, provided that such submittal not be made more than sixty (60) days prior to Donner's expected payment date, and furthermore that Donner subsequently submits proof of payment to Sierra.

5.7 Sierra shall pay Donner its share of the costs of NCE Improvements within thirty (30) days after receipt of the "accounting/billing". Delinquent payments are subject to the provisions of Subsection 11.4.

6.0 CAPITAL IMPROVEMENTS, CAPACITY EXPANDING

6.1 Any addition or improvement to the System which increases, or has the potential to increase, the total number of gallons per day ("gpd") permitted to be treated, whether or not said increase is authorized or permitted by a change to the wastewater discharge permit, shall be considered to be a Capital Improvement, Capacity Expanding (hereinafter "CICE"). Any improvement, while not actually increasing the authorized plant capacity, shall be considered to be a CICE if in combination with subsequent improvements it would have the potential to do so. Capital improvements to the System that have the effect of increasing the System's efficiency to the extent that additional treatment capacity is created shall be considered to be a CICE. Each District shall share in the costs of, and the increased capacity provided by, a CICE in accordance with the capacity percentages each District is acquiring in the CICE, unless a District does not desire such additional capacity or as otherwise agreed to by the Districts. The costs to

342 be shared shall include engineering, legal, construction, environmental, surveying,
343 construction inspection, land acquisition and other costs incurred related to the CICE.
344

345 6.2 If a CICE improvement or modification to the System is deemed
346 necessary, Donner has the sole discretion and decision-making authority to modify the
347 system as Donner deems necessary. At the inception of the planning of a CICE, Donner
348 shall give Sierra written notice thereof. If so requested by Sierra, a Joint Facilities
349 Committee (Committee) consisting of two representatives appointed by each District
350 Board shall be created. The Committee shall meet on a regular basis, as agreed to by
351 the committee, until the capacity expanding improvement is completed or the plans
352 therefore are terminated. It is agreed between the Districts that its respective Committee
353 representatives shall work in unison and in the spirit of full cooperation with Donner's
354 Engineer to determine the best technology and methodology to accomplish the desired
355 improvements. The Committee shall make a recommendation to the Donner Board
356 based on the Engineer's analysis. In the event that Sierra does not agree with the
357 Donner Engineer's proposed modifications, Sierra at its sole expense may contract with
358 its own consulting engineer to represent Sierra's interest at the Committee meetings. If
359 the Donner and Sierra Engineers do not agree on the proposed modifications,
360 unresolved issue(s) shall be submitted to a third engineer, who is experienced in
361 advanced wastewater treatment and is mutually selected by the Districts. If the Districts
362 cannot mutually select the third engineer within 60 days, the Districts' engineers shall
363 mutually select the third engineer. The Districts' engineers shall submit a joint statement
364 to the third engineer identifying each unresolved issue within fifteen (15) days after the
365 third engineer's selection. The third engineer shall complete the Engineers' Report
366 and/or in an amended Engineers' Report, decide the unresolved issue(s) within three
367 (3) months after the engineer's selection. The Districts shall cooperate with the third
368 engineer and provide whatever information such engineer deems necessary. The
369 determination of the third engineer shall be the final recommendation to the Donner
370 Board. The cost of the third engineer shall be borne equally by the two Districts.
371

372 6.3 Any improvement or upgrade to either District's collection system that
373 reduces I&I (See Section 9.0 for a definition of I&I) shall not be considered a CICE. Each
374 District shall have the responsibility to develop, and implement an I&I reduction program
375 for its collection system and bear the cost of its own I&I reduction program. The cost of
376 I&I improvements to the System as defined in Section 2.0 shall be shared in accordance
377 with Section 5.1.
378

379 6.4 Donner shall give Sierra no less than six (6) months advance notice of the

380 anticipated date for commencement of construction or installation of a CICE and the
381 estimated costs thereof. If Sierra has advised Donner in writing that it desires additional
382 capacity in the CICE in accordance with Subsection 6.1, Donner shall then submit an
383 "accounting/billing" of these CICE improvements to Sierra for reimbursement based
384 upon the ratio of additional capacity that Sierra is acquiring in the CICE to the total
385 additional capacity provided by the CICE. When costs and/or payment due dates for
386 such CICE improvements are pre-determined, Donner may submit such an
387 "accounting/billing" prior to payment thereof, provided that such submittal not be made
388 more than sixty (60) days prior to Donner's expected payment date, and furthermore
389 that Donner subsequently submits proof of payment to Sierra. The Committee shall
390 review, and the Donner and Sierra Boards approve, all design and construction related
391 change orders exceeding \$25,000. If Sierra disagrees with the amount of any change
392 order, the process outlined in Section 6.2 re: design modifications shall be used.

393 6.5 Sierra shall pay Donner its share of the costs of CICE improvements
394 within thirty (30) days after receipt of the "accounting/billing". Delinquent payments are
395 subject to the provisions of Subsection 11.4.

396 **7.0 PLANT EXPANSION**

397
398
399 7.1 When requested by one or both of the Districts, or prior to Donner's
400 Report of Waste Discharge Permit renewal, Donner's Engineer will determine the
401 remaining unused capacity in the System and will submit a written report to both
402 Districts stating their findings and recommendations. The details of the scope of work
403 for Donner's Engineer to perform shall be prepared and approved by the Joint Facilities
404 Committee and each District Board. Donner's Engineer shall evaluate the appropriate
405 measurement of capacity (i.e., flow/load (including but not limited to BOD)) and/or
406 equivalent dwelling units for each District in the present System and based on the
407 results of such evaluation, shall determine each District's remaining capacity in the
408 present System. The Districts shall take whatever measurements and conduct
409 whatever sampling that the Donner Engineer deems necessary for their work.

410
411 7.2 Donner retains sole discretion as to the plans and specifications for any
412 System expansion and shall determine the methods, details and means of doing the
413 work. At the inception of the System expansion improvement, Donner shall give Sierra
414 written notice in accordance with Section 6.4. If so requested by Sierra, a Committee
415 consisting of two representatives appointed by each District Board shall be created. The
416 Committee shall meet on a regular basis, as agreed to by the Committee, until the
417 System expanding improvement is completed or the plans for said plant expansion are

terminated. It is agreed between the Districts that its respective Committee representatives shall work in unison and in the spirit of full cooperation with Donner's Engineer to determine the best technology and methodology to accomplish the desired improvements. The Committee shall make a recommendation to the Donner Board based on the Engineer's analysis. In the event that Sierra does not agree with the Donner Engineer's proposed modifications, Sierra at its sole expense may contract with its own consulting engineer to represent Sierra's interest at the Committee meetings. If the Donner and Sierra Engineers do not agree on the proposed modifications, unresolved issue(s) shall be submitted to a third engineer, who is experienced in advanced wastewater treatment and is mutually selected by the Districts. If the Districts cannot mutually select the third engineer within 60 days, the Districts' engineers shall mutually select the third engineer. The Districts' engineers shall submit a joint statement to the third engineer identifying each unresolved issue within fifteen (15) days after the third engineer's selection. The third engineer shall complete the Engineers' Report and/or in an amended Engineers' Report, decide the unresolved issue(s) within three (3) months after the engineer's selection. The Districts shall cooperate with the third engineer and provide whatever information such engineer deems necessary. The determination of the third engineer shall be the final recommendation to the Donner Board. The cost of the third engineer shall be borne equally by the two Districts.

7.3 Within one hundred and twenty (120) days after the date of the aforesaid engineers' report described in Section 7.1, each District shall notify the other in writing of the specific additional capacity that it desires in the expanded wastewater treatment plant ("Expansion Project").

7.4 Within six (6) months after the date of the notice of the District last to provide the information set forth in Subsection 7.3, Donner shall complete the preliminary engineering design, cost estimates and any necessary environmental review for the Expansion Project consistent with the additional capacity desired by each District.

7.5 Within eight (8) months after completion of the work addressed in Subsection 7.4., each District shall select its financing for its share of the estimated costs of the Expansion Project, complete whatever legal requirements may exist for such financing, and finally determine the additional capacity in the Expansion Project that it desires. Each District shall notify the other in writing of said determined amount, whereupon the Districts shall be obligated for their share of the costs incurred for the work described in Subsection 7.6 in accordance with the provisions of Subsection 7.8.

Each District shall be responsible for its own costs of financing.

7.6 Within thirty (30) months after completion of the tasks addressed in Subsection 7.5, Donner shall complete final engineering design, obtain all governmental approvals for the Expansion Project consistent with the finally determined additional capacity requested by both Districts, and construct the Expansion Project consistent with such additionally requested capacity.

7.7 For the work described in Subsection 7.4, each District initially shall share in the actual costs thereof based on the ratio of additional capacity that such District has requested in its notice referenced in Subsection 7.3 to the total additional capacity desired by both Districts. Within thirty (30) days after each District has notified the other of its finally determined additional capacity pursuant to Subsection 7.5, Donner's Engineer shall recalculate each District's share of the costs of the work described in Subsection 7.4 based on the ratio of additional capacity that each District has finally requested to the total additional capacity desired by both Districts, and shall provide Sierra with a statement consistent with such recalculation. If Sierra owes an additional amount, it shall be paid within sixty (60) days after the date of the statement, and if Sierra overpaid, Donner shall reimburse Sierra the amount overpaid within said sixty (60) day period.

7.8 For all work after completion of the Subsection 7.4 work, each District shall share in the actual costs thereof based on the ratio of additional capacity that such District has finally requested pursuant to Subsection 7.5 to the total additional capacity desired by both Districts. The shared costs shall include environmental, engineering, construction, surveying, construction inspection, land acquisition, legal, and other capital costs directly related to the Expansion Project.

7.9 Sierra shall pay its share of the costs in accordance with the following sections:

7.9.1 Donner shall submit an "accounting/billing" of these System expansion costs to Sierra on a monthly basis for reimbursement in accordance with the provisions of Subsections 7.7 and 7.8. When costs and/or payment due dates for such System expansion are pre-determined, Donner may submit such an "accounting/billing" prior to payment thereof, provided that such submittal not be made more than sixty (60) days prior to Donner's expected payment date, and furthermore that Donner subsequently submits proof of payment to Sierra. The Committee shall

review, and the Donner and Sierra Boards approve, all design and construction related change orders exceeding \$25,000. If Sierra disagrees with the amount of any change order, the process outlined in Section 7.2 re: design modifications shall be used.

7.9.2 Sierra shall pay Donner its share of the costs of System expansion within thirty (30) days after receipt of the "accounting/billing". Delinquent payments are subject to the provisions of Subsection 11.4.

7.10 To the extent that the engineers determine, in accordance with Section 7.1, that either or both Districts have exceeded their current capacity rights in the System, such District(s) shall be obligated to acquire additional capacity in the Expansion Project at least equivalent to such exceedance. If the engineers determine that neither District has exceeded its current capacity right, the initiation of an expansion project is not required.

7.11 The Districts agree that time is of the essence in the performance of their obligations set forth in this Section 7. The parties agree that they shall proceed diligently and in good faith to implement the provisions of this Section 7.

7.12 Each District shall be excused from the performance of the requirements set forth in this Section 7 only to the extent and for the period of time that such performance is prevented or delayed by events that constitute a force majeure. For the purposes of this subsection, a force majeure event is defined as any event arising from causes beyond the control of the District, and its contractors, employees, and agents and that cannot be overcome by the District's diligent and timely efforts. Economic hardship and increased costs of performance shall not be considered events beyond the control of the District, its contractors, employees and agents for the purpose of determining whether an event is a force majeure. In the event of a force majeure, the time for performance of the activity delayed by the force majeure shall be extended for the time period of the delay attributable to the force majeure. The time for performance of any activity dependent on the delayed activity shall be similarly extended, except to the extent that the dependent activity can be implemented in a shortened time. Each District shall adopt all reasonable measures to avoid or minimize any delay caused by a force majeure.

7.13 Upon completion of the Expansion Project, each District shall have the additional capacity right for which it requested and paid.

7.14 The provisions of Subsections 7.2 through 7.9 and Subsection 7.13 shall apply for any additional expansion of the System as deemed necessary by both Districts. Individual dates or timeframes contained in Subsections 7.3 through 7.6 may be modified by separate agreement prior to the start of any additional System expansion.

8.0 **CAPACITY, ALLOCATION AND DETERMINATION**

8.1 The processing capacity of the System is regulated and specified by its Discharge Permit issued by the State of California Regional Water Quality Control Board, which Permit and regulations are issued every five years, and the design specifications of the original plant including any modifications thereto. The flow capacity shall be defined as the amount of wastewater, I&I and other material that the System can treat without exceeding any limits, measurements or quantities as specified in the Discharge Permit and/or by any other regulatory agency. The Permit specifies a flow limitation, as well as various performance standards, such as BOD₅ (5-day biochemical oxygen demand) limitation. It is hereby understood by both Districts that the plant may reach its effective capacity when any Discharge Permit limit or design specification is exceeded, even though the total flow capacity has yet to be reached.

8.2 Total Flow Capacity and Allowable Connections

8.2.1 As specified in Order R5-2015-0068 NDPES-CA-0081621 approved June 4, 2015, the total current wastewater treatment plant flow capacity of the System is 800,000 gallons per day (0.80 MGD) based on an average of the daily flows for any month. Donner's present share or allocation of that capacity is sixty percent (60%). Sierra's present share or allocation of that capacity is forty percent (40%).

8.2.2 As described in the July 2011 Wastewater Facilities Upgrade and Expansion Project Preliminary Design Report, the total present capacity of the System, based on peak three (3) day average flow, is 800,000 gallons per day (0.80 MGD). Donner's present share or allocation of that capacity is sixty percent (60%) based on the following EDU allocation:

- 818.5 existing (connected)
- 102 reserved (paid but not connected)
- 162 committed future (reserved capacity)
- 184 uncommitted future (excess capacity)

Sierra's present share or allocation of that capacity is forty percent (40%) based on the following EDU allocation:

- 816 existing (connected)
- 239 committed future (reserved capacity)
- 10 uncommitted future (excess capacity)

8.3 Peak three day flows are defined as an average of the flows measured on the three highest consecutive days during the calendar year.

9.0 INFLOW AND INFILTRATION PROGRAMS

9.1 I&I is non-sewer water that enters the collection system and must be treated as wastewater.

9.2 The Districts shall use best efforts, up to and including suspension of sewer services, to prevent the connection of any surface drains for rain water or snow melt. Each District shall adopt ordinances that provide that no surface or sub-surface drainage, rain water, storm water, seepage, cooling water or unpolluted industrial process water shall enter any sanitary sewer by any device or method whatsoever.

10.0 AMENDMENTS

10.1 Amendments or any changes to this Agreement shall be made only upon completion of the following procedures:

10.1.1 The amendment(s) must be in written format and contain the following details:

1. The current wording
2. The proposed wording
3. A statement of the reason for each change

10.1.2 The Board of Directors of each District shall schedule a Regular or Special Meeting of the Board within 90 days after when one of the District's

proposes an amendment and provides it in writing to the other District to review such proposed amendment(s).

10.1.3 The Board of Directors of each District, by a majority vote at a Regular or Special Meeting of the Board, must approve the amendment.

11.0 **LATE CHARGES, PENALTIES AND INTEREST**

11.1 Neither District will be assessed any penalties for excess flow caused by a flood as defined in 42 U.S.C. 4121(a) (1) or other Act of God. Additionally, each District shall take into consideration other unique situations out of the control of the Districts which result in a District exceeding its daily flow amount.

11.2 Each party to this Agreement shall be responsible for any and all fines, administrative penalties or other assessments or charges levied against Donner for violations of law or existing permits if in fact such violations can be identified and allocated to the actions of such party. If such actions and/or violations cannot be attributed, allocated or identified to either of the respective Districts, then the fines and penalties referenced above shall be shared by the Districts on an allocated percentage cost sharing basis mirroring the percentage of current plant flow at the time the violation occurs. Either party shall promptly notify the other whenever a regulatory body makes an allegation of a violation against either party.

11.3 If either District is found to have violated any law, ordinance or regulation, and is subsequently cited, charged or assessed fines, penalties or charges as a result of actions exclusive to that District, including gross operator negligence in the operation of the System and bearing no relationship to the other District, then the violating District shall bear sole and singular responsibility for payment of those charges, assessments or fines.

11.4 Any payment or part thereof that is past due pursuant to the provisions of this Agreement shall accrue interest at the statutory rate of 10%.

12.0 **SALE OF EXCESS CAPACITY BETWEEN THE DISTRICTS**

12.1 The respective Boards of Donner and Sierra have the unfettered right to sell any remaining capacity that each may have to the other District. Any sale of remaining capacity by one District to the other shall be subject to those terms and

conditions agreed to by the Districts under a separate agreement. Neither District shall sell a share of its capacity outside of its legal boundary or sphere-of-influence without first obtaining the permission of the other District's Board.

13.0 **DISPUTE RESOLUTION**

13.1 The parties shall attempt in good faith to resolve through negotiation any dispute, claim or controversy arising out of or relating to this Agreement. Either party may initiate negotiations by providing written notice in letter form to the other party, setting forth the subject of the dispute and the relief requested. The recipient of such notice shall respond in writing within 30 calendar days with a statement of its position on and recommended solution to the dispute. If the dispute is not resolved by this exchange of correspondence, then representatives of each party with full settlement authority shall meet at a mutually agreeable time and place within sixty calendar days after the date of initial notice in order to exchange relevant information and perspectives, and to attempt to resolve the dispute. If the dispute is not resolved by these negotiations, the matter shall be submitted to JAMS/ENDISPUTE, its successor or similar entity (hereinafter called "Mediator") for mediation.

Except as provided herein, no civil action with respect to any dispute, claim or controversy arising out of or relating to this Agreement may be commenced until the matter has been submitted to the Mediator. Each party may commence mediation by providing to the Mediator and the other party a written request for mediation, setting forth the subject of the dispute and the relief requested. The parties shall cooperate with the Mediator and with one another in selecting a Mediator from a panel of neutrals in scheduling the mediation proceedings. The parties covenant that they shall participate in the mediation in good faith, and that they shall share equally in the costs of the Mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the Mediator and any Mediator employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any litigation or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Either party may seek equitable relief prior to the mediation to preserve the status quo pending the completion of that process. Except for such an action to obtain equitable relief, neither party shall commence a civil action with respect to the matter submitted to mediation until after the completion of the initial mediation session, or 90 days after the date of filing the written

request for mediation, whichever occurs first. The parties agree to toll any applicable statute of limitations during the period of time required to comply with this paragraph. Mediation may continue after the commencement of a civil action, if the parties so desire. The provisions of this paragraph may be enforced by any Court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorney's fees, to be paid by the party against whom enforcement is ordered.

13.2 Subsection 13.1 shall not apply to any disputes arising out of Subsections 4.7 through 4.9. Resolution of any disputes arising out of Subsections 4.7 through 4.9 shall be resolved in accordance with Subsection 4.10.

14.0 **INDEMNIFICATION**

14.1 Sierra agrees that it shall indemnify, defend, protect and hold Donner, its employees, agents, officers and directors harmless from and against any claims, actions, suits, proceedings, judgments, losses, costs, damages, liabilities (including, without limitation, sums paid in settlement of claims), deficiencies, fines, penalties, or expenses (including, without limitation, reasonable attorneys', experts' and consultants' fees, investigation and laboratory fees, court costs and litigations expenses) caused by negligent or intentional acts or omissions of Sierra arising out of its operations or performance under this Agreement.

14.2 Donner agrees that it shall indemnify, defend, protect and hold Sierra, its employees, agents, officers and directors harmless from and against any claims, actions, suits, proceedings, judgments, losses, costs, damages, liabilities (including, without limitation, sums paid in settlement of claims), deficiencies, fines, penalties, or expenses (including, without limitation, reasonable attorneys', experts' and consultants' fees, investigation and laboratory fees, court costs and litigations expenses) caused by negligent or intentional acts or omissions of Donner arising out of its operations or performance under this Agreement.

15.0 **NOTICES**

15.1 All notices, statements, reports, approvals, invoices, requests or other communications that are required either expressly or by implication to be given by either party or the other under this Agreement shall be in writing, signed for each party by such officers as each may from time to time authorize in writing to so act, and mailed by

certified mail, return-receipt requested. Unless and until formally notified otherwise, all notices shall be addressed to the parties at their addresses as shown below:

Sierra Lakes County Water District	Donner Summit Public Utility District
General Manager	General Manager
P.O. Box 1039	P.O. Box 610
Soda Springs, CA 95728-1039	Soda Springs, CA 95728-0610

16.0 ACTS OF GOD

Neither party hereto shall be liable to the other for failure to comply with any term or condition of this Agreement by reason of flood, fire, earthquake or act of God, provided, however, that each party shall act promptly and diligently to repair or replace any of its facilities that are so damaged to at least the condition that existed prior to such occurrence. With respect to those facilities which provide joint service to both Donner and Sierra, each shall pay its proportionate share of the capital costs (less insurance proceeds or any grant funds) of such replacement or repair, based upon the respective capacity right held by each party at such time in the facility damaged.

17.0 TERM OF AGREEMENT

17.1 This Agreement shall become effective as of the date first stated above and shall remain in effect until the Board of Directors of Sierra by resolution relinquishes its rights under the Agreement to utilize the capacity in the System, as such may be replaced, reconstructed, modified, relocated, improved or expanded from time to time, as provided herein, unless this Agreement is terminated by mutual consent of the parties. Sierra's continued rights and privileges in relation to any replaced, reconstructed, modified, relocated, improved or expanded System shall be subject to Sierra's payment of its prorata share of the costs of such replacement, reconstruction, modification, relocation, improvement or expansion, and or operation and maintenance of the System.

18.0 PREVAILING PARTY ATTORNEY FEES

18.1 Should any party to this Agreement initiate litigation to enforce its terms, the prevailing party in that litigation shall recover reasonable costs and attorney fees.

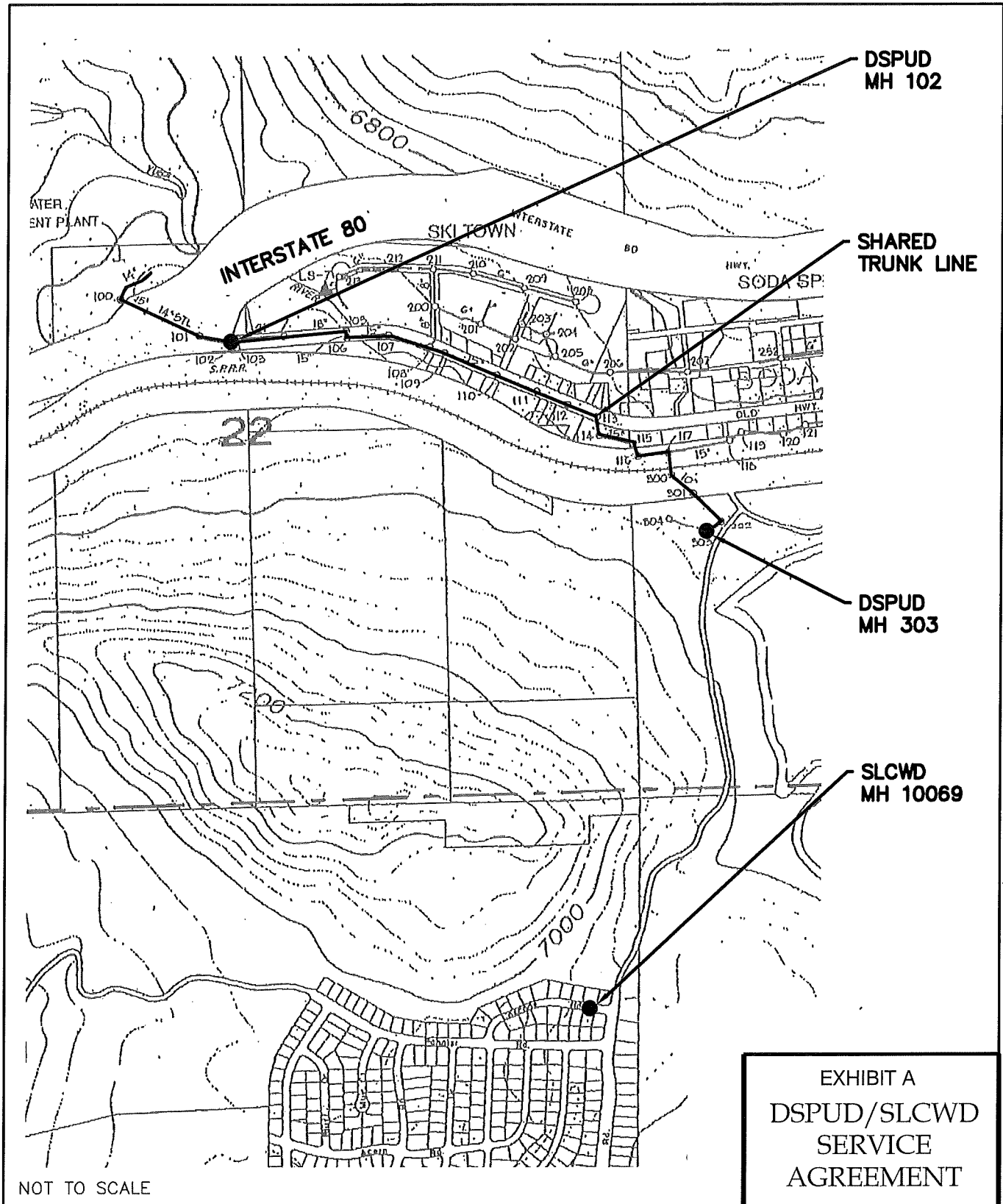


Exhibit B
DSPUD/SLCWD
Service Agreement
January 2017

Donner Summit Public Utility District
SLCWD Cost Allocation

NA117500 Donner2016\SLCWD Cost Allocation 6 30 1

FYE 6/30/16

	<u>Account #</u>	<u>Description</u>	
Salaries	42 6610 42	Overtime	Sewer Treatment
	42 6975 42	Salaries	Sewer Treatment
	42 7010 42	Salaries Standby	Sewer Treatment
	42 7015 42	Salaries Certif	Sewer Treatment
	42 7020 42	Salaries Sick Pay	Sewer Treatment
	42 7022 42	Salaries Vacation	Sewer Treatment
	42 7024 42	Salaries Holiday	Sewer Treatment
	Total Salary		
Employee Benefits		FICA / Other PR Tax Expense	See Schedule
		Medical	See Schedule
		Retirement	See Schedule
		Disability	See Schedule
		Workers Compensation	See Schedule
		Payroll Related Expenses	
Other	42 5035 42	Professional Fees	Sewer Treatment
	42 5500 42	Computer Equip	Sewer Treatment
	42 5525 42	Chemicals	Sewer Treatment
	42 5550 42	Clothing Allowance	Sewer Treatment
	42 5700 42	Computer Support	Sewer Treatment
	42 5710 42	Bank Charges	Sewer Treatment
	42 5800 42	Dues & Sub	Sewer Treatment
	42 5805 42	Fees & Permits	Sewer Treatment
	42 5810 42	Educational Exp	Sewer Treatment
	42 5825 42	Electricity	Sewer Treatment
	42 5840 42	Eng General	Sewer Treatment
	42 5925 42	Equip Purchases	Sewer Treatment
	42 5950 42	Equip M/R	Sewer Treatment
	42 6025 42	Fac Maint/Repair	Sewer Treatment
	42 6050 42	Certification	Sewer Treatment
	42 6175 42	Insurance	Sewer Treatment
	42 6270 42	Lab Equipment	Sewer Treatment
	42 6275 42	Lab Supplies	Sewer Treatment
	42 6300 42	Lab Tests	Sewer Treatment
	42 6470 42	Operating Sup	Sewer Treatment
	42 6500 42	Miscellaneous	Sewer Treatment
	42 6560 42	Office Supplies	Sewer Treatment
	42 6675 42	Phone	Sewer Treatment
	42 6700 42	Postage	Sewer Treatment
	42 6825 42	Propane	Sewer Treatment
	42 7025 42	Small Tools	Sewer Treatment
	42 7030 42	Operating Sup	Sewer Treatment
	42 7036 42	Sludge Removal	Sewer Treatment
	42 7045 42	Interest	Sewer Treatment
	42 7300 42	Training	Sewer Treatment
	42 7330 42	Travel	Sewer Treatment
	42 7375 42	Fuel, Oil & Lub	Sewer Treatment
	42 7376 42	Miscellaneous	Sewer Treatment
	42 7425 42	Vehicle M & R	Sewer Treatment
	43 5525 43	Chemicals	Sewer Treatment
	43 5550 43	Clothing Allowance	Sewer Disposal
	43 5805 43	Fees & Permits	Sewer Disposal
	43 5950 43	Equip M/R	Sewer Disposal
	43 6025 43	Fac Maint/Repair	Sewer Disposal
	43 6026 43	R & M	Sewer Disposal
	43 6050 43	Certification	Sewer Disposal
	43 6275 43	Lab Supplies	Sewer Disposal
	43 6325 43	Land Lease Spraying	Sewer Disposal
	43 7025 43	Small Tools	Sewer Disposal
	43 7030 43	Operating Sup	Sewer Disposal
	43 7036 43	Sludge Removal	Sewer Disposal
	43 7425 43	Vehicle M & R	Sewer Disposal

757 19.0 **SEVERANCE OF CONTRACT**

758
759 19.1 If any term, provision, covenant or condition of this Agreement is held by a
760 court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the
761 provisions shall remain in full force and affect and shall in no way be affected, impaired
762 or invalidated.
763

764 20.0 **CHOICE OF LAW**

765
766 20.1 This Agreement is entered into in the State of California and shall be
767 construed and interpreted according to the laws of the State of California. Any action to
768 enforce the terms of this agreement shall be brought in the Superior Court for the
769 County of Nevada.
770

771 21.0 **TIME IS OF THE ESSENCE**

772
773 21.1 Time is of the essence with respect to all provisions within this Agreement.
774 Any delay in performance by either party shall constitute a material breach of this
775 Agreement.
776

777 22.0 **ENTIRE AGREEMENT**

778
779 22.1 This Agreement contains the entire agreement between the parties and
780 supercedes and replaces any and all prior or contemporaneous agreements or
781 understandings, written or oral, with regard to the matters set forth herein. The terms of
782 this Agreement are contractual and not mere recitals and may be amended or modified
783 in whole or in part at any time only by an agreement in writing, executed in the same
784 manner as this Agreement.
785

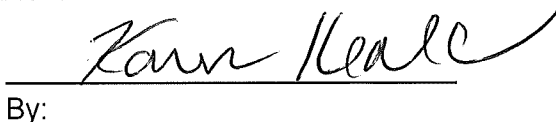
786 DATE: 1/17/17

DONNER SUMMIT PUBLIC UTILITY DISTRICT

787
788 
789 By:

790
791 DATE: 2/4/17

SIERRA LAKES COUNTY WATER DISTRICT

792
793 
794 By:

Attachment 2

5.0 WHOLESALE AND CONTRACT CUSTOMERS

Contracts may be desirable when wastewater service is furnished to unusually large-volume customers, customers discharging excessively high- or non-standard-strength wastewater, or customers who discharge on a seasonal or fluctuating basis. The wastewater utility must have the hydraulic and treatment capacity to handle these loads when they occur, but if the excess loadings or volumetric demands fluctuate, this capacity then remains idle the rest of the time. Unless the utility designs and implements a cost-of-service rate for these customers, it will either operate at a loss or be forced to recover these costs in the rates charged to its other customers, thus subsidizing the large or otherwise nonstandard customer. To develop a cost-of-service-based rate, operating and capital costs associated with serving such customers should be developed at the same time and by the same cost-of-service allocation process used to determine cost

recovery for all other classes of service. A rate between the utility and the customer can be designed that will recover the necessary revenues on a year-round basis and the resulting rate can be incorporated to the utility's schedule of rates and charges specifically for this customer. Non-rate-cost recovery mechanisms can be appropriate in some cases, for example, flat monthly charges, budget allocation processes, and cost allocations with true-ups.

Wholesale service to other communities or districts is also frequently provided by wastewater utilities and the associated rate-design process must take into consideration the level of service provided to the customer. As discussed in Chapter 7, if the wholesale customer owns and operates its collection system and provides its own billing services, it should only be billed for transporting wastewater from the connection point to the water resource recovery facility and for handling and treating the wastewater.