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AGREEMENT BETWEEN ELSINORE VALLEY MUNICIPAL WATER DISTRICT AND WESTERN MUNICIPAL WATER DISTRICT REGARDING THE PURCHASE AND SALE OF SERVICE RIGHTS IN THE MILLS PIPELINE

THIS AGREEMENT ("Agreement") is made this **1st day of December**, 2024, by and between Western Municipal Water District, a municipal water district ("Western"), and Elsinore Valley Municipal Water District, a municipal water district ("Elsinore"). Western and Elsinore are sometimes hereinafter individually referred to as "Party" and hereinafter collectively referred to as the "Parties."

RECITALS

A. Western owns, operates, and maintains a water transmission pipeline ("Mills Pipeline") that begins at Metropolitan Water District's ("MWD") Mills Filtration Plant and runs westerly to a point of termination near the intersection of Cajalco Road and Temescal Canyon Road in the City of Corona. The Mills Pipeline was financed and constructed in six "Reaches" known as Reach A (beginning at the Mills Filtration Plant) through Reach F (terminating near the intersection of Cajalco Road and Temescal Canyon Road).

B. The Parties entered into that certain *Agreement For The Lease Of A 5.0 CFS Temporary Capacity Use Right In The Mills Pipeline*, dated August 23, 2001 ("2001 Lease Agreement"), which provided Elsinore with five (5) cubic feet per second ("cfs") of leased Service Right (defined *infra*) capacity in Reaches A through F of the Mills Pipeline.

C. The Parties entered into that certain Amendment No. 1 to the 2001 Lease Agreement, dated July 29, 2002 ("2002 First Amendment"), which increased Elsinore's leased Service Right capacity in the Mills Pipeline from five (5) cfs to twelve (12) cfs.

D. The Parties entered into that certain Agreement between Elsinore Valley Municipal Water District and the Western Municipal Water District Regarding Purchase and Sale of Service Rights in the Mills Pipeline dated November 19, 2020 ["November 2020 Purchase and Sale Agreement"], wherein Elsinore purchased nine (9) cfs of owned Service Rights in the Mills Pipeline.

E. The Parties also entered into that certain *Agreement Regarding Option for Purchase and Sale of Service Rights in the Mills Pipeline*, dated as of November 19, 2020 ("2020 Option Agreement"), wherein Elsinore secured an option to purchase an additional twelve (12) cfs of owned Service Rights in the Mills Pipeline according to the terms set forth therein.

F. The Parties entered into that certain Amendment No. 1 to the 2020 Option Agreement, dated August 31, 2023 ("2023 First Amendment"), wherein the Parties split the one option to purchase twelve (12) cubic feet per second of owned Service Rights in the Mills Pipeline into two separate options to purchase six (6) cfs of owned Service Rights in the Mills Pipeline.

G. The Parties entered into that certain *Agreement Between Elsinore Valley Municipal Water District and Western Municipal Water District Regarding the Purchase and Sale of Service Rights in the Mills Pipeline*, dated August 31, 2023 ("2023 First Option Purchase"), wherein Elsinore purchased the first of its two six (6) cfs options for owned Service Rights in the Mills

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Pipeline. This purchase brought Elsinore's owned Service Right capacity in the Mills Pipeline to fifteen (15) cfs.

H. Elsinore has notified Western that it intends to exercise the second of its two six (6) cfs options under the terms of the 2020 Option Agreement, as amended by the 2023 First Amendment. The Parties are hereby entering into this Agreement under which Western shall sell six (6) cfs of Service Rights in Reaches A through F of the Mills Pipeline to Elsinore per the Parties obligations under the amended 2020 Option Agreement. For record-keeping purposes, the Parties agree that after entering into this Agreement and abiding by its terms, Elsinore shall own a total capacity of twenty-one (21) cfs of Service Right in the Mills Pipeline, derived from this Agreement and all other prior agreements pertaining to the Mills Pipeline between the Parties.

I. As additional background, the Parties previously entered into that certain *Agreement Between the Elsinore Valley Municipal Water District and the Western Municipal Water District Regarding the Lease of Groundwater Rights Exportable from the San Bernardino Basin Area, dated November 19, 2020* ("2020 Groundwater Lease"), which must remain in effect until 2040 for Elsinore to obtain the advantageous financing referenced in Section II (2) of the 2020 Option Agreement.

AGREEMENT

NOW, THEREFORE, the Parties hereto hereby agree as follows:

I. PURCHASE AND SALE OF SERVICE RIGHT IN REACHES A THROUGH F

1. Definition Of Service Right – "Service Right" is defined as follows: a right to receive treated water at a continuous flow of water at a specified continuous rate at a particular delivery point. Such Service Right is subject to availability of water to Western from MWD and other sources and the extent to which Reaches A through F are capable of delivering design capacity flows during breakdown or scheduled outages of the Mills Pipeline. The amount of Service Right shall be expressed in cfs as constant flow. The Service Right acquired by Elsinore shall be measured at the point of connection which is a meter installed and owned by Western at the terminus of Reach F ("Point of Connection"). Reaches A through F and the Point of Connection at Reach F are more particularly described in Exhibit A, a graphic depicting the Mills Gravity Line Reaches and Elsinore Point of Connection at Reach F, which is attached hereto and incorporated herein by reference. The source of water in the Mills Pipeline at any given time may be a combination of water from MWD, groundwater in and around Riverside and San Bernardino counties, and water from various groundwater desalters.

2. Purchase of Owned Service Right – Elsinore hereby purchases from Western six (6) cfs of owned Service Right in the Mills Pipeline for the purchase price of Nine Million, Seventy-Five Thousand, Four Hundred Twenty-Three (\$9,075,423), less half of the Option Payment previously paid to Western by Elsinore per Section I (3) of the amended 2020 Option Agreement. After Elsinore receives credit for one half of the Option Payment, in the amount of \$907,542, there is a total balance due and owing to Western of Eight Million, One Hundred Sixty-Seven Thousand, Eight Hundred Eighty-One dollars (\$8,167,881). The purchase price has been calculated utilizing the standard purchase price formula used in previous service right agreements,

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entered into by Western with other parties by taking the base cost per cfs for Reaches A through F of Seven Hundred And Twenty Thousand Five Hundred Dollars And No Cents (\$720,500) and adjusting it proportionally based on the increase or decrease between the Engineering News Record Cost Construction Index for Los Angeles ("ENR CCI") for May 1989 of 5,770 and the July 2019 ENR CCI of 12,113.16, and reducing the resulting amount by half of the full option price paid to Western in the 2020 Option Agreement (\$907,542).

3. Financing and Payment Terms – Western shall finance the sale of six (6) cfs of Service Rights in Reaches A through F to Elsinore at a fixed annual interest rate of 2.5%, with the loan term commencing on December 31, 2024, and ending, per this Agreement, on December 31, 2040. Interest on the loan shall start to accrue thirty (30) days after the Effective Date (defined in Section IV.1 herein) of this Agreement. Elsinore shall pay to Western the first payment in the amount of \$581,136.92 within thirty (30) calendar days of the Effective Date. Exhibit B, which is attached hereto and incorporated herein by reference, contains the loan amortization schedule including payment dates, interest, and principal amounts and remaining principal balance by year. Elsinore shall make annual payments within forty-five (45) days of receipt of Western's annual invoice or by December 31st of each year, whichever is later, until the balance of the loan is discharged. There shall be no penalty for Elsinore's prepayment of the loan, or any portion thereof. However, should Elsinore wish to pay off the loan early, Elsinore must request a loan payoff quote from Western. The loan payoff amount shall include the remaining principal plus any prorated interest. The balance of the Service Right loan shall become immediately due and payable if Elsinore's lease of Meeks and Daley Water Company shares to Western from Elsinore under the 2020 Groundwater Lease is terminated before December 31, 2040, for any reason other than material breach by Western.

II. OPERATION, MAINTENANCE, REPAIR AND REPLACEMENT COSTS

1. Operation and Maintenance by Western – Western shall continue to be solely responsible for ownership, operation, maintenance, repair, and (if necessary) replacement of the Mills Pipeline and appurtenant facilities in all Reaches of the Mills Pipeline, which Western shall retain in good working order. Operation, maintenance, repair, and replacement ("OMRR") costs shall be chargeable to Elsinore and other Service Right owners receiving water through the Mills Pipeline, and shall be allocated between fixed and variable costs among such owners. As a result, Elsinore shall be responsible for its proportionate share of the OMRR costs for each Reach from Reach A to Reach F, up to and including the Point of Connection.

a. Fixed Costs – Fixed costs associated with the Mills Pipeline allocated to Elsinore shall include an amount for replacement and major maintenance/repair and shall be charged as an annual charge on a fiscal year basis, divided among all Service Right owners based on each Service Right owner's percentage of allocated Service Rights within each Reach whether or not delivery of water is taken. Replacement shall mean replacement after normal life, or replacement after destruction by acts of God, malicious mischief, vandalism, or similar events. Fixed costs for major maintenance/repair shall include regular and on-going inspection, major maintenance/repair work necessary to keep the Mills Pipeline in good working condition ("Pipeline Fixed Costs"). In addition to its proportionate share of Pipeline Fixed Costs, Elsinore shall also be charged for fixed costs related to facilities dedicated to Elsinore's Service Right and

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water service including, but not limited to, the Point of Connection, meter and appurtenant facilities.

b. Variable Costs – Variable costs shall be included in the rate charged by Western for the provision of water service, as said rate may be increased or adjusted from time to time under the applicable policies, rules and regulations. For example, and not by way of limitation, the water service rate is currently determined based on the sum of the MWD rate for treated water, Western's administrative charge, and variable costs of operation and maintenance for every acre foot delivered to Elsinore.

III. SOURCE OF WATER AND POINT OF DELIVERY

1. Rules and Regulations – The initiation and provision of water service to Elsinore through the Mills Pipeline shall be governed by the applicable policies, rules, and regulations including, but not limited to, Western's Rules And Regulations Governing Water Service And Water Users (collectively, "Rules and Regulations"), as the same may be revised or amended from time to time. For example, and not by way of limitation, it is anticipated that the Mills Pipeline source of water, may be a combination of water from MWD, groundwater in and around Riverside and San Bernardino counties, and water from various groundwater desalters.

2. Point of Connection – Any request by Elsinore for change or alteration of the Point of Connection shall be subject to the prior written consent of Western, which consent shall not be unreasonably withheld. In the event of an approved change or alteration to the Point of Connection, Western shall be responsible for the construction and installation of the meter and any appurtenant facilities ("Work") after good faith consultation with Elsinore as to the scope and cost of the same. Western shall perform the Work either with its own forces or a through a contractor. Upon completion of the Work, title to the changed/alterd Point of Connection, meter and appurtenant facilities shall be conveyed to, and otherwise deemed to be owned by, Western upon Western's acceptance thereof. Prior to the initiation of the Work, Elsinore shall make a deposit to Western in an amount based on Western's engineer's estimate of the total cost of the Work. Upon completion of the Work, Elsinore shall either make an additional payment to Western for any balance due and owing for the Work or in the event the Work is completed for less than the engineer's estimate, Western shall refund to Elsinore any amounts remaining on deposit.

3. Service of Water by Elsinore – To the extent Elsinore is lawfully permitted to deliver or otherwise serve water outside of Elsinore's boundaries, Elsinore shall not deliver or otherwise serve the water obtained under this Agreement outside of Elsinore's boundaries without the prior written consent of Western, which consent shall not be unreasonably withheld.

IV. EFFECTIVE DATE

1. Effective Date – This Agreement shall be effective on December 1, 2024 ("Effective Date").

V. DEFAULT

1. Default Regarding Service Right – If Elsinore fails to make the payments due herein in accordance with the deadlines and timeframes set forth herein, then Elsinore shall be deemed to

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be in default of the terms of Section I herein. If Elsinore should, after notice, fail to cure any such default with all reasonable dispatch, not to exceed thirty (30) days (unless extended by mutual consent of the Parties), then Western shall have the right, at its option, without any further demand or notice, to terminate the purchase and sale otherwise provided for herein. Upon such termination, Elsinore shall own the proportional amount of owned Service Right which Elsinore has paid for at the time of default; however, the proportional amount of the Service Right which has not yet been paid for at the time of default shall be deemed to have been transferred and otherwise conveyed, or re-conveyed, to Western and Elsinore shall be deemed to have no further ownership in the unpaid portion of the Service Right. In that event, Western shall have the right to thereafter hold or resell such right to third parties without reimbursement or any other payment to Elsinore.

VI. OTHER AGREEMENTS

1. Supersede and Control – Six (6) cfs of Elsinore’s leased Service Right capacity in the Mills Pipeline derived from the 2001 Lease Agreement and the 2002 First Amendment is hereby eliminated and terminated, and Elsinore hereby relinquishes, and shall continue to honor such relinquishment of, any and all claim or right in it. After this Agreement becomes effective, Elsinore shall have zero (0) cfs of remaining leased Service Right capacity in the Mills Pipeline, while owning twenty-one (21) cfs of Service Right in the Mills Pipeline. The Parties intend that Elsinore’s purchase of six (6) cfs owned Service Right via this Agreement shall replace the remaining six (6) cfs of Elsinore’s leased Service Right capacity, and that the 2001 Lease Agreement and 2002 First Amendment shall terminate upon full execution of this Agreement.

All terms of the November 2020 Purchase and Sale Agreement and the August 2023 First Option Purchase wherein Elsinore purchased Mills Pipeline Service Rights of nine (9) and six (6) cfs, respectively, remain in effect. Elsinore, on the Effective Date, will own 21 cfs Service Right in the Mills Pipeline.

VII. GENERAL PROVISIONS

1. Dispute Resolution – In the event a dispute arises between the Parties relating to this Agreement for anything other than non-payment, the Parties shall first attempt to resolve the disagreement through an informal dispute resolution process. A Party shall initiate the informal dispute resolution process by transmitting written notice to the other Party, setting forth the nature and extent of the dispute, and requesting that the Parties engage in informal dispute resolution, first by way of discussions among the staffs of the two agencies and, if resolution cannot be reached, through elevating the matter to each agency's elected officials. In the event the Parties have not reached a mutually satisfactory resolution within thirty (30) calendar days following the date of a staff initial informal dispute resolution meeting, either Party may pursue other available remedies.

2. Indemnity – Each Party ("Indemnitor") hereby agrees to defend, indemnify and hold free and harmless the other Party ("Indemnitee") from and against any and all liability, expense, including defense costs and legal fees, and claims for damages of any nature whatsoever, arising from or connected with Indemnitor's obligations and activities under this Agreement. No provisions of the Agreement shall in any way limit the extent of the responsibility of Elsinore or

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Western for payment of damages resulting from its own operations or the operations of any of its contractors.

3. Attorney's Fees – In the event of the bringing of any action of suit by either Party against the other arising out of this Agreement, the Party in whose favor final judgment shall be entered shall be entitled to recover from the other Party all costs and expenses of suit, including reasonable attorney's fees.

4. Amendments – This Agreement may be amended or modified only in writing and signed by both Parties.

5. Notices – All communications, notices and demands of any kind which either Party may be required or desire to give to or serve upon the other Party, shall be made in writing and delivered by personal service or sent by registered mail, postage paid, return receipt requested, to the following addresses:

Western Municipal Water District
General Manager
14205 Meridian Parkway
Riverside, CA 92518

Elsinore Valley Municipal Water District
General Manager
31315 Chaney Street
P.O. Box 3000
Lake Elsinore, CA 92530

Either Party may change its address by giving the other Party written notice of its new address as herein provided.

6. Severability – If any section or portion of this Agreement or the application thereof to any Party is for any reason held invalid, it shall be deemed severable, and the validity of the remainder of the Agreement shall not be affected thereby.

7. Counterparts – This Agreement may be executed in counterparts, each of which shall be deemed an original.

8. No Waiver – No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other term, covenant or condition. No waiver, benefit, privilege or service voluntarily given or performed by a Party shall give the other Party any contractual right by custom, estoppel or otherwise.

9. Relationship of the Parties – Nothing contained in this Agreement shall be deemed or construed by the Parties or by any third person to create the relationship of principal and agent, or partnership or joint venture, or any association between the Parties, and none of the provisions contained in this Agreement or any act of the Parties shall be deemed to create any relationship other than as specified herein, nor shall this Agreement be construed, except as expressly provided herein, to authorize any of the Parties to act as the agent for the other.

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10. Entire Agreement – This Agreement is intended by the Parties as a complete and exclusive statement of the terms of their agreement and it controls over the agreements specified in section VI, as specified, as to this subject matter, and furthermore this Agreement supersedes any other prior written or oral understanding of the Parties with respect to this subject matter.

11. Incorporation of Recitals – The Recitals set forth above are incorporated herein and made an operative part of this Agreement.

12. Assignment or Transfer of Agreement – Elsinore shall not assign or otherwise transfer this Agreement or any interest or obligation herein without Western’s prior written consent, which consent shall not be unreasonably withheld. Any attempt to do so without Western’s consent shall be null and void, and any assignee or transferee shall acquire no right or interest by reason of such attempted assignment or transfer. Unless specifically stated to the contrary in Western's written consent, any assignment or transfer shall not release or discharge Elsinore from any duty or responsibility under this Agreement.

IN WITNESS WHEREOF, each of the Parties have caused this Agreement to be executed by their respective duly authorized officers.

ELSINORE VALLEY MUNICIPAL WATER DISTRICT

By: _____

Date: December 1, 2024

WESTERN MUNICIPAL WATER DISTRICT

By: _____

Date: December 1, 2024